Monday December 12 1983

#### NEWS SUMMARY

#### GENERAL BUSINESS Israel Allianz snub to advisers Greece on try to end Arafat deadlock

israel, asked by Greece for an undertaking not to interiere with its overs and merchant bankers Morproposed evacuation of Palestine Liberation Organisation leader Yassir Arafat and supporters from Yassir Arafat and supporters from for British insurance group Eagle Tripoli in Lebanon, said it would Star. Morgan Grenfell are advising

Its Cabinet discussed the matter sicherung, with whose manage-in Jerusalem yesterday, Arafat followers claimed responsibility for a sions. Page 14

THE DOLLAR'S strength refuse people last week. five people last week.

MAN LI

In an incident in a south Lebanon village five Lebanese civilians were shot in the legs by Israeli soldiers dispersing a stone-throwing crowd.

The new ceasefire around Beirut generally held yesterday. But a committee responsible for organis-ing the reopening of the Beirut air-port failed to meet because of a boycott hy one of the opposition mili-

#### Japan says no

Japan said British aircraft carrier Invincible could not make a goodwill visit if it was carrying nuclear weapons. Page 4

#### Liberal entente

Liberal and radical parties in all EEC countries except Ireland agreed in Munich a joint manifesto on which to fight the June Euroelections. They agreed to back the deployment of U.S. cruise and Pershing missiles in Europe, despite some objections from UK del-

#### Walesa's call

In his Oslo Nobel speech read for.
him by exiled Solidarity colleague. The chart shows the two constraints on European Monetary System exner Lech Welesa expressed his de-sire for Poland to prove to the world inat even the most complex situa-tions could be solved by dialogue and not by force, Page 4

#### Anti-nuclear railies

More than 30,000 anti-nuclear campaigners protested at Greenham Common airbase, England, and 31 ued central bank intervention and people were arrested. More than the recent one-point rise in the dis-23,000 marched in three demonstrations in Italy. About 100 broke into
a Dutch airbese considered likely to
house U.S. cruise missiles. West

While the Belgian franc remained
the weakest member, it was looking
set to return within its divergence air base. Page 14

#### President Ershad

Bangladesh leader Lieut-Gen Hossain Mohammad Ershad declared himself president, 20 months after proclaiming military rule. Page 2

#### **British spaceman** Britain's Cabinet committee for defence and overseas policy is likely

to give the go-shead today for Britain's first astronaut, who would be responsible for launching a military satellite, probably from a U.S. space shuttle, in late 1985 or 1985. Klansman convicted

 $p_{i} = (\mathcal{F}_{i} \cap \mathcal{H}_{i})^{H_{i}^{-1}}$ 

المتناسين المدادات

and the

A largely white jury in Alabama convicted a member of the white su-premacist Kn Khn Klaz of killing a black teenager, and recommended that he be jailed for life, without pa-

#### Oil tanker blaze

A fully laden Greek oil tanker, Pericles GO, was abiaze off Doba in the Gulf, and Quar officials said it was Page 5 in danger of exploding. A Dutch sal NORTH SEA: UK consultants vage team arrived and started

#### Sport highlights

Tennis, Melbourne: M. Wilander (Sweden) beat I. Lendl (Czech) 6-1,6-4,6-4 to win the Australian men's singles title: Women'a doubles: M. Navratilova. P. Shriver (U.S.) beat A. Hobbs (GB), W. Turnbull (Aust) 6-4,6-7,6-2.

last round 66 to help United States
win the World Cup with a 365 aggregate, seven ahead of Canada.

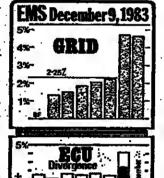
Page 16

EASTERN AIR LINES of the U.S. has been given extended credit Golf, Jakarta: R. Caldwell shot a

gan Grenfell meet today to try to end the deadlock over the takeov West German bidders Allianz Ver-

mained the dominant factor affect-ing the European Monetary System last week. It rose to record levels against several currencies, including the French franc and Italian lira, and broke a ten-year high against the D-Mark.

The weakness of the D-Mark helped to improve the Belgian franc, which was aided by contin-



on European Monetary System ex-change rates. The upper grid, based The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

German police arrested 46 at a U.S. limit for the first time since Sep-The Dutch guilder lost ground, in

sympathy with the D-Mark. The French franc showed a steady rise, helped by renewed confidence in an

• UK MERCHANT BANKS are preparing to lobby for changes in a proposed EEC directive on bank accounting which they fear could force them to reduce hidden reserves. Page 6

● IRELAND approved grants of about £26m (\$40.3m) for 28 British ventures in the Republic. Page 5 • DOMTAR, Canada's largest fine ● DOMTAR, Canada's largest fine paper maker, is spending CS773m (S522m) on modernisation and expansion in Quebec, and another CS139m in Ontario. Page 16 ■ AUSTRALIA is considering ordering two diesel-electric submarines from Dutch shipyard RDM,

• INDIA and the Soviet Union signed an agreement to increase their trade by 24 per cent in 1984.

are seeking support from oil compa-nies for a new £1.5bn (\$2.15bn) gas pipeline. Page 14

#### COMPANIES

• BROKEN HILL Proprietary of Australia is forming a unit trust to make an A\$341m (\$307m) takeover offer for Umel Consolidated, which has a major stake in a Queensland coalmine BHP is acquiring.

Soccer, Tokyo: Gremio, Brazil beat by its banks, following wage cuts Hamburg SV 2-1 in extra time to that will save the troubled group win the World Club Championship.

## U.S. concern on deficit as budget decisions loom

BY STEWART FLEMING IN WASHINGTON AND JOHN WYLES IN BRUSSELS

Senior Reagan Administration officials are seriously concerned about the outlook for both interest rates and the federal budget deficit as they reach the critical stages of the decision making process leading up to the presentation next month of budget proposals for the fiscal year 1985.

are recognising that even on the relatively optimistic assumptions for interest rates and real growth in the economy built into its budget forecasts for 1985 and beyond, federal spending is likely to rise more rapidly than has been anticipated and budget deficits – after dipping to around \$185bn in the current fiscal year - could begin to rise again.

The Washington Post reported yesterday that officials are con-cerned that when President Reagan presents his budget plans to Con-gress next month, the projected 1985 deficit will be some \$20hn higher than the \$170bn projected

Among the factors which are contributing to the gloomier picture are demands from some departments for higher spending alloca-tions and decisions to stick to earlier projections and ignore cuts which have already been made. In Brussels at the weekend, Mr stration from all responsibility

sised that despite next year's presi-dential elections, the Administra-tion would seek spending cuts in Mr Martin Feldstein, the controver-

nalists on Saturday, Mr Regan said: ground. "We are spending too much at a federal level. You will see us come up with a lot of suggested cuts. Whether we will get them is an-

high. Even if they come down somewhat, they will still be historically high," he said. In a reference to Mrs Thatcher's

comment last week that high U.S. rates are "extremely damaging" to Britain and other European countries, he said: "I tried to persuade her, and I hoped I had done so, that high deficits are not the only cause of high interest rates. The deficit is one of the causes but others are fis-Donald Regan, the Treasury Secre-cal policy, monetary policy and in-tary, did not seek to exclude the Ad-flationary expectations.

One indication of the shift in

Already, Administration officials, for high interest rates and empha-thinking about the deficit which is the 1985 budget. sial Chairman of the Council of Eco-nomic Advisers, have begun to gain sial Chairman of the Council of Eco-

A factor which has contributed to White House concern is the realisation that unless the President's 1985 budget contains the continge other matter."

But he repeated his warning that the chances of a fall in U.S. interest rates in the coming months are "not posal, included in the President's 1984 budget plan, called for tax increases of \$43bn in 1986 rising to \$53bn if the budget deficit in 1985 was more than 2.5 per cent of gross national product.

Officials are becoming more aware of the effects of underlying economic assumptions on their budget predictions. Simply because of the stronger growth than expected in the economy this year, forecasts for the future will have to be scaled back making it harder to predict the earlier sharp budget deficit re-

## British printers' union risks loss of support

BY PHILIP BASSETT, DAVID GOODHART AND JOHN LLOYD IN LONDON

BRITISH trade union leaders are that the TUC committee will be tion. The executive committee of preparing to decide not to give fur- deeply split on the issue, with a the National union of Public Emther support to the National Gra-strong push from left-wingers to in-phical Association (NGA), the craft print union at the centre of the UK printing dispute.

After the union was fined £525,000 on Friday for illegal mass picketing in defiance of court inunctions, the NGA's national council decided at the weekend to call a 24-hour strike on Wednesday. It emphasised the need for support from the Trades Union Congress (TUC). Tonight, senior TUC leaders in its employment policy and organisa-tion committee will hold an emereency meeting.

Members of the NGA's national council were stressing yesterday how important tonight's meeting was to the union. One said of the future course of action by the union: "A lot will depend on what the TUC does." Mr Joe Wade, NGA general secretary, confirmed that He said the NGA would ask the TUC to "recpressure on the group to conclude a
ognise the validity and justice" of closed shop at some future date. the union's action.

leading committee members on the centre and centre-left are convinced that the NGA's struggle is now futile, and are searching desperately for a settlement that could be seen as honourable

One possibility is the reinstatement of the six NGA men dismissed hy Mr Eddie Shah, chairman of the Stockport Messenger group of newspapers in North-west England. Mr Shah dismissed the men in a dispute over the issue of a "closed shop" - the employment of union members only - and, it is suggested, the closed shop issue should now be quietly dropped.

The Messenger Group would then be "cordoned off" by the union movement, in the hope that that would ultimately put sufficient However, left-wingers will fight appropriate."

Leading NGA officials clearly believe that industrial action such as that planned for next Wednesday will bring increased pressure on Mi Shah from other employers al-though there has been little evidence so far that he would be amenable to such pressure.

Mr Tony Dubbins, NGA general secretary-elect, said last night: "We need to create pressure on the company through many of the responsi-hle employers in the industry who realise there are certain standards that must be obeyed."

Mr Shah said he feared more violence at the Warrington print works on Wednesday.

National and other newspaper companies are likely to bring a flood of court actions against the NGA if the planned stoppage on Wednesday goes ahead.

#### The indications last night were hard against such an accommoda-Consortium may switch banks to salvage \$622m Thai deal

BY PETER BRUCE IN LONDON AND CHRIS SHERWELL IN SINGAPORE

AN ANGLO-FRENCH consortium, quoted in the Bangkok press last whose \$622m contract to expand capacity at the Torc oil refinery near would include a generous period of Bangkok is being threatened with grace for any loan and more attractive banks' insistence on stronger cancellation, may have to drop its tive financial terms. bankers, Barclays International He has been reported as saying

and Societe Generale, in an effort that a new package could cut the to assemble a financing package acceptable to Thailand.

The contract was awarded in It is believed that the consortium, April last year. Last month, how-Davy McKee of the UK, Technip of ever, talks between the two banks France and Proconfrance, a French and the Thai authorities collapsed, subsidiary of the U.S. Signal group, which won the contract early last cancellation. year, has until Thursday to produce fresh financing proposals.

Both Barclays International and Societé Genérale have said they are still involved, but at least two Lon-

and the Thai Government have re- don merchant banks have now enfused to accept strict loan conditered negotiations in London and tions imposed by the consortium's Bangkok.
two banks and have said they inAbout two thirds of the financing tend calling for new bids.

I threw the project into question, was erale, backed by Britain's Export than 70 per cent.

guarantees from the Thai Government for the proposed loan.

Their stand reflected pervous ness about the project's commercial glut and nervousness about loan

repayments.
Diplomats in Bangkok believe these worries are unjustified as prompting Bangkok to threaten Thailand has no serious debt problems and has never yet defaulted on

The banks have encountered a major legal hurdle in trying to secure firmer guarantees from the Thai Government, Although the Government has a 49 per cent stake was to have come in sterling, franc in the refinery. Thai law does not Mr Ob Vasuratna, Thailand's In- and U.S. dollar credits from Bar- allow it to guarantee loans in any dustry Minister, who last month clays International and Societe Gen-project in which its stake is less

#### Reagan to be pressed over IDA funding

PRESIDENT Ronald Reagan is expected to come under increased pressure from EEC leaders over the next month to agree a last-minute increase in U.S. multilateral aid for the poorest

developing countries.

This follows the refusal of U.S. officials at a crucial meeting of weekend to reconsider Washington's plan for a sharp cut in its contribution over the next three years to the International Development Association (IDA), the soft-loan affiliate of the World

The U.S. Government's planned cut in multilateral aid leaves IDA with the gravest funding cri-

sis in its 23-year history.

Because other donor nations are refusing to increase their share of the 33-nation group's funding to make up for any U.S. shortfall, the development agency risks a cut in its resources for disbursement over the next three years to \$9bn from the \$12bn budget over the past three years.

This compares with a target of \$16ba for 1984-87 originally set by the World Bank. All the 33 IDA donors, apart from the U.S., favour a \$12bn programme for

the next three years.

World Bank officials said the
U.S. was "isolated" at the Paris meeting and described the mood as one of "severe disappoint-ment" that the Americans had

refused to budge.

Worried by the prospect of a sharp drop in real terms in aid to needy countries, already severely affected by the world recession, EEC heads of government, fol-lowing the Athens summit, have written to President Reagan urging him to reconsider the Administration's stance on IDA. Further efforts to influence the

President directly are likely before another IDA meeting convenes in Washingtoa in the sec-ond week of January. Unless there is an eleventh-

hour American change of mind, this looks likely to formalise an IDA ceiling of \$96n for the next three years.
It is possible that other IDA

donors could agree a "parallel fund" to top up resources by per-haps a further \$2bn for 1984-87. In this case, breaking with the normal principles of multilateral aid disbursements, the contributor countries would probably bar U.S. companies from equipment

Continued on Page 14

## Argentina, UK may restore diplomatic ties

BY JIMMY BURNS IN BUENOS AIRES, ROBERT GRAHAM AND MARGARET VAN HATTEM IN LONDON

eign Secretary, said on BBC radio yesterday that the matter would be under consideration over the next few days, but British officials insisted that there had been no change of policy. They specifically ruled out any negotiation over the sovereign-ty of the Falkland Islands for example in the context of a leasehack ar-

Mrs Thatcher's message of con-gratulations to President Alfonsin on his inauguration was intended as no more than a friendly gesture, t was stressed. Nothing was on offer to the new regime that had not been on offer to its predecessor, but the way in which Britain is approaching the issue is a new depar-

The belief in Whitehall, underinks, and that dealings will be tiation next year. smoother and more harmonious.

THE EXCHANGE of messages at cessation of hostilities: reduction of the weekend between Mrs Margaret Thatcher, the British Prime Minter Falklands and a freeze on conister and Sr Raul Alfonsin, the newly installed Argentine President, has raised the possibility thet diplomatic relations may soon be result of the pointed out unable by installed Argentine President, airport. But he pointed out unables the possibility that diplomatic relations may soon be result of the pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he pointed out unable by installed Argentine President, airport. But he president airpor

mercial reasons.

Mrs Thatcher's initiative in sending the message is understood to have stemmed from a meeting between the Argentine Government and a British diplomat in Buenos Aires 10 days ago. Four British dip-lomats have been working in the Swiss Embassy there since the hreaking off of diplomatic relations More behind the scenes contacts

are expected, possibly through Sr Hugo Gobbi, the UN envoy to Cyprus who is President Alfonsin's newly appointed special representa-tive for the Falklands.

The U.S. Government has also repeated its offer to mediate between London and Buenos Aires. Mr George Bush, the U.S. Vice-Presi-dent, met President Alfonsin privately on Saturday night

Washington is also understood to lined by Sir Geoffrey, is that the have offered to try to persuade U.S. new government will be more retained banks to adopt a flexible attitude sponsive to British offers of rewhen \$17bn of Argentina's \$40hn sumed economic and commercial foreign deht comes up for renego-

In return, the U.S. has been seek-Sir Geoffrey did not reject the ing reassurances of the new governtwo points implicitly advanced by ment's non-belligerence, particular-President Alfonsin in a newspaper ly its commitment not to use its nu-interview as conditions for a formal clear programme for military ends.

## Massey in talks on **Rolls-Royce Diesels**

BY MICHAEL CASSELL IN LONDON

MASSEY-FERGUSON, the Toron- (\$28.7m to \$35.9m), might be close. to-based agricultural equipment Vickers said last night that it had manufacturer, is negotiating to huy been talking to potential buyers from Vickers its Rolls-Royce diesel since the summer, during w engine division in the UK.

since Vickers and Rolls-Royce ees had been a priority. The compamerged in 1980. The group then em- ny said it could make no further barked on a restructuring pro-comment until a sale had been congramme and a review of its opera- cluded.

time the strategic importance of the The future of the diesel engine diesel business, which supplies en-business, based at Shrewsbury in gines to the UK Ministry of De-Shropshire, has been uncertain fence, and the future of its employ-

It is widely believed that GEC has Perkins Engines of Peterborough, been among the potential purchas- last night confirmed that a top maners for the diesel engine operation, agement team from Toronto, but it is now understood that a sale headed by Mr Victor Rice, the to Massey-Ferguson, which might group chairman and chief execu-Continued on Page 14





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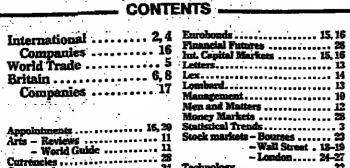
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deterrents; house buying . 12 Lex: falling into the tender Technology: old movies yield Japanese Industry: to painting by numbers .. 22 Survey ...... Section III

#### **OVERSEAS NEWS**

## The Ebic banks bring strength and experience to your financial operations

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#### **Ershad** takes over Bangladesh presidency

By Sayed Kamalludin in Dhaka Lieut-Gen Hossain Mohammad Ershad, Bangladesh's military ruler, took over the country's Presidency resterday, 20 months after proclaiming

It is believed he will now release the major opposition leaders who have been held in " protective custody " since November 28 which led to the imposition of curfew and new clamp on political activities.

Normalcy returned to the country quickly. The Government relaxed curfew hours and Gen Ershad pledged again to hold elections as scheduled. He also offered to enter into dialogue with

In fact, speculation suggests that he has already had discussions with the two main opposition leaders — Begum Khaleda Zia the late President Zia's widow), leader of the sero-party Combine and the seven-party Combine and the 15-party Alliance, Sheikha Hasina Wajed, danghter of the late Sheikh Mujibur Rahman and leader of the 15 per cent Alliance while they were under bouse arrest.

In an address to the nation last night, Gen Ershad said that he took over the President's post so that he could confine himself to the process of restoring demo-cracy in the country.

"I am inviting the leaders of the political parties in an open mind to enter into dialogue with me to expedite the transition from military rule to democracy."

Observers here believe that Gen Ersbad took over the country's top glot to accommodate the opposition's demand to hold elections prior to the presidential one and defuse a potentially dangerous situation.

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## Israel refuses to guarantee safe passage for Arafat from Tripoli

BY DAYID LENNON IN TEL AVIV

At the same time the official, Mr Dan Meridor, the Cabinet Secretary, would not say if Israel planned any action to prevent the evacuation of the PLO forces under international

> Greek Government. which has offered to provide the ships to evacuate the PLO forces from Lebanon, asked Israel for an undertaking that its intentions, as it sees no its navy would not interfere with the evacuation. Mr. pressure on him or his followers who last week claimed responsi-

ISRAEL will not give any guarantees for the safe passage of murderers, and it does after the weekly Cabinet into a community should so the safe passage of murderers and it does after the weekly Cabinet into a community should so the safe passage of murderers, and it does after the weekly Cabinet into a community should so the safe passage of murderers and it does after the weekly Cabinet into a community should so the safe passage of murderers and it does after the weekly Cabinet into a community should so the safe passage response to this request.

ISRAEL will not give any ally what had been Israel's bility for the bomb explosion on a bus in Jerusalem which killed five people.

Patrick Cockburn in Beirut airport and reestablish the caseafter faltered yesterday what the caseafter are safe passage.

The question of such guarantees arose after the shelling on Friday by the Israeli navy of a base beside Tripoli belonging to the pro-Arafat wing of the PLO. Officials in Jerusalem were quoted later as saying that this attack "should not be viewed as an effort to prevent. Arafat from leaving Tripoli."
Israel is apparently happy to

ceasefire faltered yesterday when the ceasefire committee boycott by one of its members.

It had been hoped that the airport, which has been closed for 11 days, would open today. Members of the Amal Shlah

militia group said they would not attend the ceasefire meet-

ing because Mosiems were being kidnapped on the coastal road. Further south the security situation behind Israell lines continued to deteriorate yester-day when Israell troops shot

### Bahrain offshore role 'dwindling'

THERE WAS little comfort for Bahrain offshore bankers from the Saudi Arahian monetary agency (Sama) yesterday, credit departments and were statemant by Mr Mobamed Abai Khzii, the Saudi Finance Minister that the offshore banks were a source of strength for the region "and should be said banks were as the commercial banks. Here in Bahrain we have should be said banks. Here in Bahrain we have the foreign that the said banks was banks. Here in Bahrain we have the foreign that the said banks were as the foreign the said.

"That, in turn, meant that GCC will prove to be a focal private capital," he said.

"When new downstream ventures take shape there will banks, including the offshore banks. Here in Bahrain we have the foreign that the said. offshore banks were a source of strength for the region "and none of us wish to disturb their presence here."

Speaking at a two-day conference on banking issues in the context of the Gulf Co-operation Council (GCC) Sheikh Hamad al Sayyari, the acting governor of Sama, predicted a dwindling role for international banks in the Saudi market, although he told them to use their imaging. told them to use their imagina-tion in finding new ways of serving Sandi clients. He said the January 13 Sama

circular placing restrictions on syndicated lending in Saudi rials (SR) had been issued first to restrain the growing inter-nationalisation of the currency and second to stimulate the domestic corporate banking capabilities of the Saudi hanks. "To permit the use of the SR for third country transactions

reserve currency or trading currency is against our policy." he said, adding that the growth of an external SR market meant that important banking deci-sions were being taken outside

Sheikh Hamad said he was sure there was enough inter-national business carried out in co-operation with domestic banks to provide a living for the OBUs. But he forecast that eventually such business would be mainly in international currencies. At present, a quarter of the 77 Bahrain OBUs' total liabilities of around \$570n are in regional currencies, domi-nated by the Saudi rial.

Sheikh Hamad expressed satisfaction with the growing tendency towards more formal banking regulation "eyen in countries which had had a very informal approach," and rejected criticism of Sama's conservative supervisory policies. "We have not waited for a banking crisis to react to," he pointed out. "We have believed in the properties approach to the properties of the prop taking preventive measures from the ontset."

etao ohpsh sh cmfw vbgk x— Mr Khall highlighted the need to tap domestic and off-

the foreign banks within the GCC. We can benefit from the professional experience and advice of the foreign banking community in the area."

From the Bahraini side Mr Ibrahim Abbul Karim, the Fin-ance Minister, gave an overview of the international economic situation and its repercussions in the Guif. He said Bahrain's economy had suffered from the decline in oil revenues and growth in real GDP would probably he arrived to the said to the s bably be under 5 per cent this year, compared with 6 per cent iast year and 9 per cent in 1981. The governor of the Bahrain monetary agency, Mr Abdulla Saif assured the conference that the implementation of the GCC policy did not mean that there would be a smaller place in Bahrain for foreign banks.

"Fair competition is some-thing we in Bahrain greatly value and it would be com-Mr Khail highlighted the pletely contrary to our market, phore resources to increase the role of the private sector in GCC development. "The large petrochemical project in the with this in mind."

## **CONTRACTS & TENDERS**

NOTICE TO CONTRACTOR

#### NATIONAL ELECTRIC POWER AUTHORITY OF NIGERIA

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This will involve design, manufacture, supply and erection of 132 kV and 33 kV authors and 11 kV Indoor switchgear and encillary equipment together with construction of the necessary civil engineering works. Tender's will be accepted only from manufacturers of 132 kV and 33 kV switchgear as a minimum requirement.

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#### **COMPANY NOTICE**



On 13 October 1983, the Ford Motor Company declared a 3-for-2 STOCK SPLIT in the form of a 50 per cent STOCK DIVIDEND on the Capital Stock of the Company to Stockholders of Record 1 November 1983.

B.D.R.'s representing UNITS of 1/20th of a full common share in the denominations of 1; 5; 10: 50; 100: and 500 will be available for distribution about 14 DECEMBER The Board of Directors also declared a CASH DIVIDEND

of 45 cents (gross) per sbare, on the Company's Common Stock ootstanding prior to the STOCK DIVIDEND. Accordingly, in respect of the Bearer Depositary Receipts the following distribution will become payable on or after 14 DECEMBER 1983.

Gross Distribution per Unit Less 15% U.S.A. Witholding Tax

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completed and are obtainable from the above address. United Kingdom Banks and Members of the Stock Exchange should mark payment of the "STOCK AND CASH" dividends to the appropriate square on the back of the

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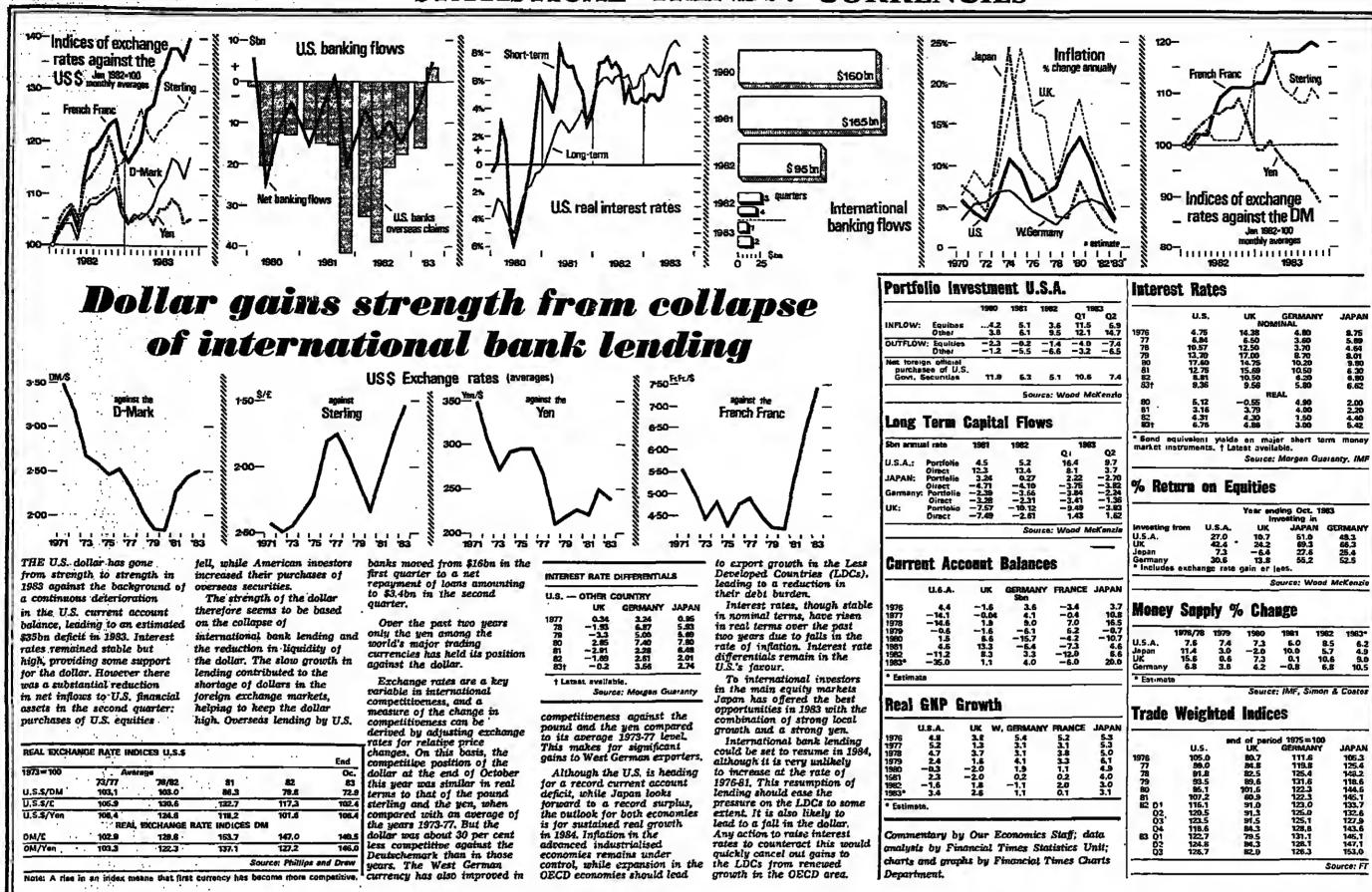
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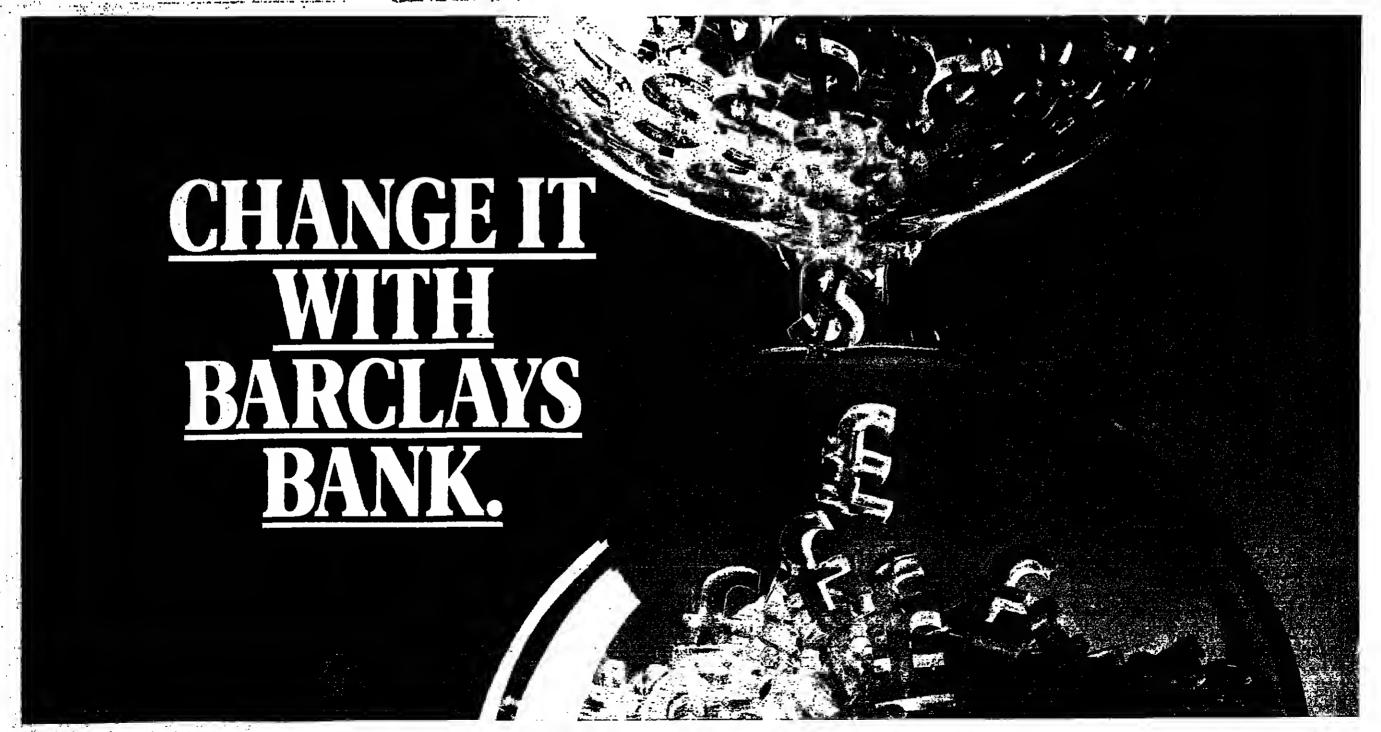
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d Notice

#### STATISTICAL TRENDS: CURRENCIES





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#### **OVERSEAS NEWS**

#### BASE LENDING RATES

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Bank of Ireland ....... Bank Leumi 1UK) ple Banque Belge Ltd. ... 9 Banque du Rhone ..... 10 

Bremar Holdings Ltd. Bril. Bank of Mid. East ■ Brown Shipley ....... 9 CL Bank Nederland ... 9 CL Bank Nederland ... Canada Perm't Trust 10 % Castle Courl Trust Ltd. 910 % 9 %

Charterhouse Japhel 9 %
Choulartons 101%
Citibank Savings 1101%
Clydesdale Baok 9 %
C. E. Coates 9 %
Comm. Bk. of N. East 9 %
Consolidated Credits 9 %
Co-operative Bank 9 % Consolidated Creatis....\* 9 %
Co-operative Bank .....\* 9 %
The Cyprus Popular Bk. 9 %
Dunbar & Co. Ltd. ..... 9 %
9 %

9 % Heritable & Gen. Trust 9 % 

National Girobank ..... National Westmioster Norwich Gen. Tst. ..... R. Raphael & Sons ... P. S. Refson & Co. ... Roxburghe Guarsntee Royal Trust Co. Canada Standard Chartered ... Trade Dev. Bank .....

TCB
Trustee Savings Bank
United Bank of Kuwalt
United Mizrahl Bank Volkskas Intol. Lid. ... 9 % Westpsc Banking Corp. 9 % Whileaway Laidlaw ... 9 % Williams & Glyn's ... 9 % Wintrust Secs. Ltd. ... 9 % Yorkshire Bank ...... 9 % Hembors of the Accepting Houses Committee. Volkskas Intol. Lid. ...

7-day deposits 55%, 1-month 5.75%, Short-term £8,000/12 months 2.1%, 7-day deposits on sums oi: under £10,000 5½%, £10,000 up to £50,000 65%, £50,000 and over 7½%. Dunbar & Co. Ltd. 9 %
Duncan Lawric 9 %
E. T. Trust 9 %
Exeter Trust Ltd. 10 %
First Nat. Fin. Carp. 11 %
Robert Fraser 10 %
Grindlays Bank 1 9 %
Guloness Mahon 9 %
Hambros Bank 9 %
Hambros Bank 9 %

#### Japan may stop visit by **Invincible**

By Jurek Martin in Tokyo

MR YASUHIRO NAKASONE, the Japanese Prime Minister, has said that he requires assurances from Britain that its aircraft carrier, the Invincible, is not carrying nuclear weapons hefore allowing the ship to visit Japan next year.

Mr Nakasone emphasised yesterday that Japan's three non-nuclear principles, which do not permit the manufacture, use, or introduction of nnclear weapons into the country, would have to be

The news of e possible visit by the Invincible, which was denied dry dock facilities in Sydney by the Australian Government last week because similar assurances on its weepoury were not forth-eoming, constitutes a poten-tial embarrassment to Mr Nakasone in the last week of the Japanese general election campaign.

eampaign.

The Prime Minister has been frequently criticised by the Opposition and elements within his own party for ellegedly being too willing to promote a renaissance of Japanese military power and for seeking to move Japan eiger to the Nato orbit.

The local Press, quoting Japanese Defence Agency sources, reported over the weekend that the Invincible was expected to visit this country in February. While refusing to confirm or deny the date the British Embassy here said last night that e request for permission for what was described as "a goodwill visit" had already been lodged with the Foreign Ministry.

However, Embassy nfficials stated that the timing of any visit was narelated to the Invincible's current mechanical difficulties which resulted in the request to use dry dock facilities in Sydney.

Our Foreign Staff adds: The Ministry of Defence in Lon-don said that Brilain's nine-ship Far East task group, of which Invincible is the flag-ship, would be sailing in the ship, would be sailing in the Pacific until early next year, and "no firm decision" had been made on future ports of call. He said it was the Ministry's policy neither to confirm nor deny the presence of nuclear weapons aboard its ships.

## Walesa in Nobel call for dialogue

MR LECH WALESA, the leader of Poland's Solidarity union and winner of this year's Nobel over on Saturday to Mr Walesa's peace prize, said in e speech wife, Danuta. She arrived din read here yesterday in his absence that "the difficult problems which Poland is now facing ean he resolved only through a real dialogue between the costle for a short meeting with state authorities and the King Olay. state authorities and the King Olav.

Mr Walesa did not travel from Polend to ettend the Mrs Walesa was followed by a award ceremony; in the speech horde of journalists and was he said: "Poland will prove to warmly applauded by onlookers. the world that even the most complex situations can be solved by a dialogue and not by force." He added that "we are the chartenedy for the dialogue."

Nobel

reprimancing economic evaluated for waters a contribu-crisis in Polond could have tion as "being of essential serious repercussions for importance in the campaign to Europe, he said. "Thus, Poland ought to be helped and deserves of organisation in all countries."

**Negotiations for** 

By Bernard Simon in Johannesburg

NEGOTIATIONS are taking plece to arrange a meeting between Mr P. W. Botha, the

South African Prime Minister, and Mr Samora Machel, the President of Mozambique, according to the South African Foreign Minister Mr Pik Botha, who returned from a visit to

several European countries over the weekend.

Mr Pik Botha said in an inter-

view with a local newspaper that "we are in a process of

negotiations. It is progressing step by step, but each step has to be carefully laid."

Should a meeting take place,

discussions are likely to centre

on South African support for Right-wing rebels Inside Mozam-

hique, Pretoria's complaints of Mozamblean assistance to black

nationalist gnerrillas, economic ties between the two countries

and obstacles to a settlement in

**Botha** meeting

with Machel

**Top feminist group backs** 

MR WALTER MONDALE has organised labour's umbrella

**Mondale for President** 

BY STEWART FLEMING IN WASHINGTON

At the airport and wherever else she sppesred in public, among them several exiled

Before handing over the prize, solved by a dialogue and not by force." He added that "we are ready for the dialogue."

Respect for civil and human rights in Poland and for the national identity of the country is "in the best interests struggle for peace." Mr Aarvik and the country is the chairman of the Norwegian Nobel committee. Mr Eggin and the chairman of the Norwegian Nobel committee. Mr Eggin and the chairman of the Norwegian Nobel committee. Mr Eggin and the chairman of the Norwegian Nobel committee. Mr Eggin and the chairman of the Norwegian Nobel committee. Mr Eggin and the chairman of the committee. Mr Eggin and the chairman of the committee. Mr Eggin and the committee is the chairman of the committee. Mr Eggin and the country is the chairman of the committee. Mr Eggin and the country is the chairman of the committee. Mr Eggin and the country is the countr "A permanent economic evaluated Mr Walesa's contribucrisis in Poland could have serious repercussions for peace." Mr Aarvik said that the committee had evaluated Mr Walesa's contribu-

The decision by the leading feminist group in the country streogthens Mr Mondate's posi-

tion as front-runner for the Democratic Party's nomination

as its presidential candidate. It is the first time in its 17-year history that NOW has endorsed a candidate for the Presidency.

It also starkly underlines the

problems which President Ronald Reagan is having in

mustering support among women voters who are often more critical than men of the President's hard-line foreign

The polls also show that they

ere geoerally less supportive than men of the President's

efforts to ehlp away at Government spending by reducing social programmes.

The seat intended for Mr Walesa was left empty during the ceremony. "Let us, therefore, try even harder to listen to the silent speech from his empty place," Mr Aarvik sald. Christopre Bobinski adds from Warsaw. Mr Walesa attended a church service for Potanda church service for Potand's Nobel prize-winners on Satur-day and another well-attended mass vesterday.

Mr Mieczyslew Rakowski, the Polish Government's deputy Premier, sald on Saturday at the Gdansk Levin shipyard that Mr Walesa and the Solidarity leadership do not have the answer to the country's prob-

Coming shortly before the second anniversary on Tuesday of the introduction of martial

dale also secured the support of the black wing of the State

less to fear from Mr Jackson's

He found it remarkable that law and Friday's anniversary working people's elementary of deaths in Gdansk in 1970 rights can be denied, irrespections against food price rises. tive of which ideology or Mr Rakowski accused the Soll-economie system they live darity leadership of exploiting under. these anniversaries for their own eods.

Mr Walesa met Mr John Davies, the U.S. charge d'effaires on Saturday to discuss his appeal for an end to sanctions: on Friday Mr Walesa intends to make a major speech and the underground has called for demonstrations.

In the resulting war of nerves the Government media have stepped up reports of under-ground activists in major cities like Gdansk and Katowice while police patrols on the streets have also been strengthened. Mr Rakowski said that Coli-

darity leeders "want to convince themselves and their countryment that they still mean some-thing and to give imperialism the argument that Poland is still a country of unrest."

By Stewart Fleming in

won the support of the National Organisation for Women (NOW) for his campaign for President of the U.S. Organisations of activities and Organisation of the U.S. PRESIDENT Ronald Reagan seems likely to achieve the politically important goal of bringing most U.S. troops home officials who can be galvanised into action to motivate voters in support of their candidate.

from Grenada before Christ-mas. The White House announced over the weekend that more than 2,000 \ U.S. military personnel — the bulk of the force which invaded the Island in October — will be leaving by Thursday of this week.

of Alahama's Democratic Party.
The real significance of this
decision, however, lay in the fact
that the group decided not to
endorse Mr Mondale's black hy Thursday of this week.

It added, however, that some 300 U.S. military police and technicians who are operating under the bammer of the Organisation for East Caribbean Slates will remain to provide security assistance for the Governor-General, Sir Paul Scoon, who has the task of reconstituting the Government, Hugh O'Sbanghnessy adds: In rival for the Presidency. Mr Jesse Jackson, as its candidate. Inslead, it agreed as a compromise to endorse Mr Jackson as Mr Mondale's Vice-Presidential running-mate. The move suggests that in the South, at least, Mr Mondale may have

mar Mondale does not guarantee Mr Mondale's overwhelming support from women The feminist organisation is seen by many rival women's groups as too radical on soma issues, and, assuming he runs for President assuments and assuming he runs streets are draped with banners asking U.S. forces to stay, praising the Reagan Administration, and crificising Britain's Prime Minister, Mr Margaret Thatcher.

In recent days, the busir. for President again, as now seems likely, Mr Reagan will attempt to exploit these divi-

U.S. troops may quit Grenada soon

Hugh O'Sbaughnessy adds: In St George's, capital of Grenada,

#### **Bush dashes** hopes for Ortega talks

Mr George Bush, the U.S. vice-President, left Buenos Aires yesterday having dashed expectations that he would use the opportunity of So Raul Alfonsin's inauguration for n meeting with Sr. Daniel Ortega, the Nicaraguan leoder, Jimmy Burns writes from Buenos Aircs. Mr Bush told a late night Press conference on Saturday that he had simply said "hello" to Sr Oriega during a morning reception, hosted by Sr Alfonsin, but denied there had been any

bilateral meeting.
However, intense diplumatic
efforts simed at brioging the U.S. and Nicaragua closer to e settlement in Central America were continuing here yesterday with the participation of Costa Rica, several European leaders led hy Sr Felipe Gonzalez, Prime Minister of Spain, and officials of the Panamanian, Mexican, Venezuelan and Colombian delegations which make up the Contadora grouping. There were unconfirmed reports yesterday that members of Mr Bush's delegation including Mr Richard Stone, the U.S. Central American envoy, end Mr Anthony Motely, the Under-Secretary of State for Latin settlement in Central America

Secretary of State for Latin American Affairs may have stayed behind in Buenas Aires for a series of informal contacts with the Nicaraguan delegation.

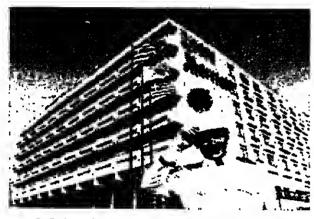
Islamic conference deadlock on Gulf war

Moslem foreign ministers yesterday decided to refer a heated dispute over the Iran-Iraq war to an Islamie summit in Morocco next month, after an all-night sitting failed to break

a deadlock over the three-year-old candict, Reuter reports from Dhaka, Bangladesh. The 14th Foreign Ministers' meeting of the Islamic Con-ference organisation concluded 12 hours behind schedule, after acrimonious exchanges about a resolution on the Gulf war

W REPORT

Greek official steps down over Cypros For .



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The reservations: United States Southward and resolution of the state of the stat We have us have TV moves a root four facet for the same and whatpool Magnation for the desired for the control of the Acres desired for the control of the Acres desired for the control of the control of the control of the same the successor your business trip will be done.

#### The NOW endorsement adds Mr Botha said thal, following his discussions in Europe, he will be submitting various unspecified proposals on Namihla to the Prime Minister. He to an impressive list of organisations which have come out in favour of the former Vice-President, putting him ahead of Africa's insistence that any settlement be linked to the withdrawal of Cuban troops includes such traditional Demo- attem eratic bastions as the AFL-CIO, sions,

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#### **WORLD TRADE NEWS**

Andrew Fisher sees no solution to one crucial imports question this year

## EEC and Canada clash over newsprint

from next year.

ish day

Talks between the two sides. with the Canadian newsprint EEC are worth some \$350m producers watching anxiously (£233m) to the Canadian indusfrom the sidelines, have dragged try each year. The markel is a

4m tonnes of newsprint o year, of which Canada has been providing around 700,000 tonnes duty-free, But EEC proposals now on the table could cut this hy over 200,000 tonnes.

EEC markets are cut hack to south accommodate the Scandinavians, mer. as well as rising EEC news-

fought between the EEC and a week ago, ended with no Canada over future levels of agreement. Now, said one off-newsprint imports. into the cial in Ottawa. "we shall have Community, once Scandina to sit hack and wait." Certainly, vians have full duty-free access there will be no solution by the star of 1984.

Newsprint exports to the on for several years, but have so far failed to bring a solution.

FEC countries use more than am tonnes of newsprint a year. ing into newsprint production, and Canada itself has also installed new machines.

Canada has nearly 60 per cent of the growing U.S. market, The Canadian Government has tonnes next year. Canada's own been arguing its case strenu-ously and has timed that just over 10m tonnes, slightly retaliation could occur if its less than twice that of its large southern neighbour and custo-

rini production. tries Advisory Committee of The last talks in Brussels be- Canada in August admitted that

sales in non-U.S. markets would become harder to achieve.

Its share of the world market fell from 40 per cent to 37 per cent in the 1970s, as new capacity was installed clsewhere, notably in the southern U.S.

New exporters such as New Zealand, South Africa, and Australia also came onto the scene. With this and recession, Canadian newsprint shipments fell from 6.9m tonnes in 1981 to 8.1m in 1982 (Canada itself took 935,000 tonnes of this last year against 1m in 1981), giving il a lower 35 per cent world market share.

While the committee though? Canada should at least maintain its shore of the U.S. market, it warned: "Shipments to Western Europe, Latin America and Oceania are expected to decline slightly as substantial capacity is being added in those areas."

been installed in the UK alone

once Canadian and Finnish investments are fully on stream. EEC capacity is also being expanded in West Germany, where Gebruder Lang is adding 170,000 tonnes, The Swedes and Finns, too, also plan to boost output. But overall demand in the EEC is expected to grow by

under 2 per cent a year. It is against this discouraging hackground that Canada has heen pressing its case. Many European newspaper publishers, especially in the UK which uses about 1.3m tonnes of newsprint a year, want to retain a high level of Canadian imports as a halance to the Scandinavian producers to prevent them

dictating prices. Scandinavia's Impending dutyfree status stems from the entry hy Britain, Ireland and Den-mark to the EEC in 1973. The More than 400,000 tonnes of EEC entered into trade agreeextra annual capacity will have ments with the European Free Trade Association (EFTA), to

by the second half of the 1980s, which they had belonged. Thus the Scandinavian members of EFTA have had duties on their goods progressively reduced, with those on paper ending on January 1 1984. Before this, their newsprint sales to the EEC have come under the 1.5m-tonne-a-cear quota agreed for non-EEC

> Canada claims it cannot accept any quota less than the 700,000 tonocs it already supplies, with an extra 50,000 tonnes to he allotted for other

suppliers. Supplementary quotas

have been fixed for needs above

suppliers.
But the EEC has worked out a draft quota for 1984 of 500,000 tonnes, which would clearly be nowhere enough to satisfy Canada, which also wants scope for growth. It could then appeal to the panel of the General Agreement on Tariffs and Trade (GATT), under which the present 1.5m tonne quota is

No price bas been put on the potential order, but two submarines now being built in the Netherlands for the Taiwanese marine order with contracts for Navy will cost upwards of a virtual fleet of submarine and \$500m (£333m), and cosls have surface vessels. \$500m (£333m), and costs have risen considerably, since that contract was secured, in 1981.

If the deal is confirmed, it will roversial. Peking has already

#### Ireland backs British ventures

authority has approved grant aid for 28 British ventures in the Irish Republic this year. Collectively worth about £26m, the new investments are expected to

ceulicals trading owned by the Kassam family of is to manufacture generic drugs for worldwide export. It plans to set up a research and development

Daewoo wraps

up \$570m ship building finance

DAEWOO Shiphuilding Heavy Machinery has completed arranging the financing for the largest shiphuilding job ever in South Korea—a \$570m (£380m) contract with U.S. Lines to construct 12 container vessels, AP-DJ reports from Seoul.

the projects.
The two loans together

ing nuclear power plants and a high velocity train, indicated

that high technology fields were

for closer co-operation and technology Iransfer in telecommunications, satellites, transporta-tion, marine geology and computer - telecommunication:

Fluor shares S. Africa nuclear plant contract

alsn of special Interest. He cited new onportunities

networks.

A company called Sunseekers Iretand is 10 make sunroofs for passenger cars in Britain and Continental Europe. The development authority says this is a growth market, worth more than £60m a year.
A joint venture between Bio

## may save newspapers

By Paul Cheeseright in Brussels The EEC Council of Ministers today expected formally to approve an additional duty-free import quota for 1983 of 180,000 tonnes of newsprint, The decision will save British newspaper proprietors from possible duty payments of £2m this month.

The existing quota has run out and British newspapers have estimated their needs for the rest of the year at 120,000 tonnes out of a total EEC shortfall of 260,000 tonnes.

The 180,000 tonnes the the 188,000 tonnes the EEC is expected to approve is a compromise figure put forward by the Enropeon Commission. The British share would be 92,000 tonnes. Itaty has help up approval f an additional quota since October, on the grounds that the EEC customers should first purchase Italian stocks of 20,000 lonnes.

At the end of last week, Italy dropped its opposition to the additional quota dur-

ing talks. To sell its surplus, Italy needs to find a niche in the market between supplies from Scandinavia that next year have nnrestricted access to the EEC and a future quota

for Canadian suppliers. But a further snag for British newsprint users emerged when three other EEC countries started expressing technical reservations about the way the additional quota would be shared

## Quota move India, Russia aim £2m for UK to boost trade 24% next year

BY JOHN ELLIOTT IN NEW DELHI

A TWENTY-FOUR per cent between the two countries by increase in trade between India the Soviet Union which has been and the Soviet Union is pro-jected for 1984 above levels achieved this year, according to a new trade protocol signed by the two countries in New Delhi over the weekend.

The target for the two-way at \$3.84hn (£2.56bn). This is marginally above the \$3.6hn target for this year, hul sub-stantially above the much smatter total of \$3.1bn achieved.

Whether the next target is met depends on willingness of Indian private sector companies to increase their purchases of light engineering and other goods from the Soviets. Government officials insist that the target is based on firm inquiries received in Russia, and India's include increased Indian sales two main industrial federations of agricultural commodities. are joining up to promote the

Talks are also taking place on capital projects wanted by the Soviet Union, including a 1,000 Mw thermal power station at Kahatgaon which Canadian companies have also been chasing, a nuclear power station in Bihar, and sicelworks year.

This means that the Soviet

Nelther capital projects nor substantial items in the hilateral trade figures because they are hased on long-term credit.

modernisation, major defence sales appear as balance of trade this year for

Union successfully stopped India hacing a favourable the first time in five years. Next year, Russia will he opuring cement and expuring

losing out in recent years as

India has increasingly turned to

Indian-Soviet trade relations went through an upheavid

earlier this year when Russia

reacted to India's failure to

meet purchasing targets by cut-

ting back on its own buying no

luxury items. This was patched

up during talks in Moscow in

have been hoosted by contracts

worth some \$300m on com-modities and \$200m on the

extra oil since the Moscow talks in September. But this year's total projected figure of \$1,580n will still be \$300m short of the

Next year's target is \$2bn to

engineering goods and leather

espected to total \$1,6hn this

year, only \$140m below target.

Once various credits and other

the trade is expected to have been virtually in balance this

September.

planned \$1.88bn.

products.

the West for such purchases.

But they are seen as a key aluminium to India for the ingredient of co-operation first time.

#### Australia ponders order for Dutch submarines

THE AUSTRALIAN Government is considering placing an which it has high hopes of overorder for the huilding of two diesel-electric submarines with the Dutch shipyard, RDM.

The AUSTRALIAN Government is submarine design for which it has high hopes of overorder for the huilding of two diesel-electric submarines with the Dutch shipyard, RDM.

decision on the vessels would be taken before 1986.

west Germany and the UK. Dutch breach of the "one-Britain in particular would be upset, since it has long been the major naval supplier to clarify the extent of the likely Australia and currently has a order.

rities ponder their position, a high-level delegation of officials and industrialists from the Mr Gijs van Ardenne, the Dulch Economics Minister, said yeslerday on his return from an official visit to Australia that a for Taipei to conduct talks with the Taiwanese talks with the Taiwanese Government on possible future

marine order with contracts for

SHIPPING REPORT

## Hopes of market upturn BY ANDREW FISHER The company has signed a syndicated loan with a group of commercial banks for \$47.501 and said the state-run Korea Development Bank has agreed lo provide \$66.5m in credits for trading.

end has brought hopes that 1984 trading.
will finally see a sustained up. The fall in lay-ups suggests turn in world shipping markets.

Eggar Forrester, the London shipping firm, discerned slights of improving demand lately after a largely, though not wholly, disappointing 1983. "Shipping markets could be on the threshold of an improve-ment," it said in its latest

monthly report. One sign is the sleady decline in laid-up onnage.

The rate from the U.S. Gulf to Hinister

Egyar said the volume of laid

Shipples and the volume of laid. up shipping peaked on the bulk carrier side this February and.

summer, has since fallen by over one-third.

For tankers, the peak was

Last week saw no great acil- will provide 20 ner cent in vily, however, in dry-cargo mardown-payments and Daewoo will keis, with Denholm Coales finance the remaining 10 per reporting a drop to \$8.25 a ton from \$8.75 in the grain rate from the U.S. Gulf to Europe.

Anne Charters writes: M Taurent Fablus, the French Minister of Industry and Research, in Seoul to push French narticipation in major South Korean projects, includ-

The tanker market was fairly quiet, with a lack of demand for lonnage from the Gulf, No Japanese charterers were in the market and rates fell for all vessel sizes. There were nn lift-June, with a subsequent 30 per ings by large ships from Kharg cent drop, though not all of the Island in Iran.

#### World Economic Indicators

RETAIL PRICES (1975=100)

	Oct. 183	Sept. '83	Aug. '83	Oct. '82	% change over previous year	supply commission, Escom, has
U.K. West Germany		251.9 141.2	250.6 140.9	240.7 137.6	5.0 2.6	awarded the maintenance scr- vices contract for the country's first nuclear power station to
France (caly Netherlands	233,9 357.0 158.8	. 232.3 351.2 158.2	230.6 346.6 157.5	212.1 315.1 155.1	10.3 13.3 2.4	Fluor Engineers South Africa, a subsidiary of Fluor Corp. of
Belgium U.S.	174.9 187.7	174.9 187.2	173.7 186.3	164.3 182.4	6.5 2.9	California, and the French company Francione, one of the
Japan	152.8	. 151.2	149.3	150.7	1.4 Source: Emostat	main confractors for construc- tion of the station, AP-DJ re-

## INDUSTRIAL centre in advance.

IRELAND'S

ereate 1,100 johs. Rimmerdax,

Isolates of the UK and Mitchelstown Co-operative has

set up a company to produce protein concentrate, Overseas Technical Services group has created a subsidiary

to support its training of tech nical advisers for the oil and gas Industry, AGB Research is expanding into data processing Also in the computer field, Northern Ireland Business Systems, of Belfast, is investing in microcomputer software for use in accounting, insurance hrokerage and export contract-ing at the National Management Centre in Sandyford, Duhlin.

The food group Batchelors is expanding its canning factories in Cabra and Athy.

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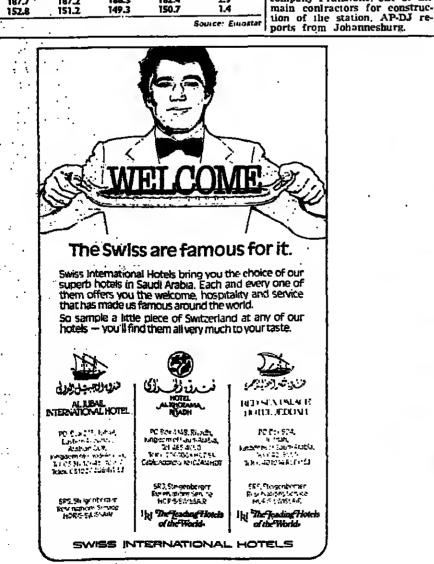
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Merchant

banks aim

to change

**EEC** limit

BRITAIN's merchant banks are

preparing to lobby for changes in a

proposed EEC directive on bank accounting which they fear could

force them to reduce their hidden

The directive, which is shortly to

go before the Council of Ministers to Brussels, will allow banks to

keep hidden reserves equal to 5 per

cent of their assets. The definition

of assets, however, is so narrow

that it excludes many items on a

Mr Robin Hutton, secretary of

the Accepting Houses Committee,

said: "We do not see why anyone

should object to what part of a bank's assets are covered by the

The committee will put its case for a more relaxed definition to the

Bank of England and the Department of Trade.

As drafted, the directive defines

assets as loans and advances, the

main items on the balance sheets of

commercial banks. However, mer-

preneurial by nature, tend to have a large part of their assets in such

chant banks, which are more entre-

definition."

typical merchant bank's balan

By David Lascelles

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EXAMPLE OF THE HIGH LEVEL EFFICIENCY

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#### **British** Telecom's engineers count cost of strike

By David Goodhart, Labour Staff scaling-down of action. When the

members return to work in the London international exchanges.

Only a small minority in the union ever believed that industrial action could itself stop the Governal from action will be seen by many

It is straightforward financial necessity that has forced the burried

THE POST Office Engineering 1,100 members at inland BT in cen- that persuaded the executive to Union's campaign of industrial ac- tral London were on strike at the send the international members bon against the Government's pro- same bine as the international back earlier than expected and posed privatisation of state-owned members, the cost to the union in without getting the status quo British Telecom ends today as 1,400 strike pay was over £400,000 a agreement that they wanted.

The clear total cost to the union bas been about £2.5m. The POEU had total assets before the action of about £4.3m and is not going to go ment's plans. But a total withdraw- bankrupt. But it already owes other unions over £1m, its bank about inside and outside the union as a £%m and the BT pension fund significant retreat. have been on strike for the last eight weeks.

It was some of these stark facts

HIGH EFFICIENCY

There have been other costs of the industrial action. First, it has undoubtedly alienated a micority of members. Since October 1982, when the union organised its first oneday strike against privatisation, about 5,000 have left the union.

Second, the union's bluff bas been called on its industrial muscle. It was widely believed that the international exchanges would virtu-

action, but they have been kept going. BT management will also have noted that they bave run with less than a third of the usual manning

Many on the centre right - which dominated the union for decades before a broad left victory last June would argue that the action abould have been called off a month ago. But they would also say that "something bad to be done" by way of industrial action and point to the success that industrial action has had in highlighting the issue on the

## Inflation set to fall 'if sterling remains stable'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

the UK inflation rate will fall rather than rise next year could prove correct, says a leading independent forecasting organisation today.

The London Business School

Centre for Economic Forecasting (LBS) which itself predicted a mod-estly rising inflation rate, concedes that the outlook is likely to be brighter if the exchange rate renains stable.

However, in a commentary on the Treasury's autumn forecast, the LBS says that it believes the Treasury's prediction of a 3 per cent economic growth rate next year is over-optimistic.

The commentary follows a series of analyses using the LBS computer model of the ec onomy to test the assumptions behind the differ-

ent forecasts.
This year, the Treasury is significantly more optimistic about the prospects for inflation and growth in 1984 than the consensus of out-

side forecasters. Even small differences in the expected rates of growth and inflation could change the balance in the next budget from tax increases to

tax cuts or vice-versa.

The LBS identifies the Treasury's assumption of stable oil prices and an unchanged exchange rate as cru-cial to its forecast that inflation will fall to an annual rate of 41/2 per cent by next autumn.

The centre's own forecast of an inflation rate of 5% per cent by that time is based on the view that the value of sterling will drift down-wards. However, it agrees with the wards. However, it agrees with the resources while remaining within Treasury that the lower figure their PSBR guidelines."

it sees a "genuine difference of view" about the prospects for the growth in output, with the Treasury projecting a rise of 3 per cent next year against the LBS forecast of a little over 2 per cent.

Even using the Treasury's somewhat different assumptions, the LBS can only raise its forecast to a growth rate of 2½ per cent.

Treasury's higher figure are: The view that private consumption will grow by 2% per cent, a rather faster rate than the LBS thinks is likely.

 A somewhat optimistic view of the growth of exports as the world economy recovers.

 The view that lower inflation will boost the real value of government

The centre also discuss

method financing borrowing.

It concludes: "The risk that the the authoribes to increase the di-

mandatory grants towards spending on replacement plant and ma-

Edwards, Secretary of State for

maintain an effective regional poli-

Even that sentence was strongly

opposed by some sections of the

THE TREASURY's prediction that might be achieved if sterling remains firm. It also points out that the difference between the two forecasts for inflation is well within the

margin of error for either predic-It sees a "genuine difference of

It says the main reasons for the

whether special sales of state assets should be considered as reducing the public sector borrowing requirement, as at present, or whether they should be considered as a

arrangements is that a successful privatisation programme could lead to inflationary overheating, since the resulting asset sales will enable the authorities to inflationary overheating the broader definition, though, hidden reserves would be acceptable. rect claims of the public sector on

## things as gold, commodities, Euro-bonds and contingent liabilities. If these do not count, the qualifying portion of their assets will be so

The merchant banks' objections are a new twist to the debate about hidden reserves that has continued in the EEC for more than a year,

#### **BBC** expected to delay satellite TV

By Raymond Snoddy

THE BBC is close to deciding that it cannot go ahead with its direct broadcast by satellite (DBS) service The fact that the Government will remain committed to regional in 1986 as planned. The board of policy is due largely to a strong fight in the Cabinet by Mr Nicholas

governors will take the final deci-sion on Thursday.

A series of forecasts has shown that receiving equipment is unlike-ly to be available on time or at a Wales, and Mr George Younger, Scottish Secretary.

Most Conservative MPs are less enthusiastic. The party policy statement for the June general election referred to regional policy in just incurred to regional

one sentence, confirming that the receiving equipment. It has delayed these in the increasingly forlors hope that it can win the backing of the French and West German Gov-ernments to establish the system it favours - C-MAC with digital sound as a full European standard.

#### Regional policy to be made more flexible

Conservatives would

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE GOVERNMENT'S long-awaited White Paper statement of intent on regional policy, considered to be one of the most important reviews of the system since 1945, will be published this week.

It will take as its central point the need to introduce more selectivity and flexibility into the system in place of the block grants given auto-

matically to certain areas. This lack of flexibility has been particularly criticised in the West Midlands, where unemployment levels have risen to beights usually

Tyneside and Clydeside.
The Government will also announce that it is to honour its pledge to the European Commission to phase out by the end of 1984

#### **BNFL** expects public criticism

By David Fishlock BRITISH Nuclear Fuels (BNFL) which is state-owned, expects to be publicly criticised by the Govern-ment this week for contaminating 25 miles of Cumbrian coast in

north-west England with radioactiv-The radioactivity, as much as 1,000 times natural background levels, although still very slight, was released during annual maintenance operations on BNFL's Sella-

field factory. BNFL refused to comment yes terday on press reports that an inquiry by the Nuclear Installations Inspectorate was highly critical of Sellafield management.

Come and do business at the NEC.

#### NOTICE TO BONDHOLDERS 4½% LAND BONDS

Notice is hereby given that a drawing of the above mentioned Bonds was conducted by the Central Bank of Ireland, Dublin, on the 7th to the 10th November, 1953 inclusive, when Bonds amounting to Stg. £402,600 were drawn for redemption at par on 1st January, 1934, from which date interest will cease to be payable thereon. Particulars of the draw numbers of the Bonds-drawn have been published in the Supplement of "Iris Difigiuil" on the 29th November, 1933, which may be obtained from the Government Publications Sale Office, G.P.D. Arcade, Dublin I, or through any bookseller. Copies of the Supplement will be supplied to the Stock Exchanges in Dublin, London and Manchester and may also be inspected at the Irish Embassy, 17 Grosvenor Place, London SWI.

Bondbolders concerned are being advised by the Central

Bondbolders concerned are being advised by the Central Bank of Ireland and are being supplied with forms of application for the principal monies payable. DEPARTMENT OF FINANCE

December, 1983

## When it comes to exhibitions there's only one site for Britain's bu

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comprehensive range of facilities we offer. From next Spring, for example, 'Maglev' - the worlo's first, fully-automated, magnetic levitation transport system

And we're continually striving to improve the

- will ferry visitors to and from the new passenger Terminal at Birmingham's International Airport in only ninety seconds.

And, of course, we're at the very hub of Britain's motorway network, and well served by Inter-City rail. What's more, a £2.5 million refurbishment scheme is now under way, introducing more amenities and enlarging our restaurants, bars and snack bars. So whether you're a potential visitor, exhibitor or organiser, come to the Centre that's making a stand for better housed, better organised, better value exhibitions.

> For more information, contact: The Marketing Manager, NATIONAL EXHIBITION CENTRE LIMITED. Birmingham B40 1NT. Telephone: 021-780 4141 Telex: 336635

> > Which Computer? Show 17 - 20 January International Spring Fair Giftware and Hardware 5 - 9 February Boat and Caravan Show 18 - 26 February The Daily Telegraph

**Business Enterprise** Show 484 21 - 25 February

Exhibition of Technology, Inventions and new Industrial Techniques 21 - 25 February Electrex '84 International Electrolechnical Exhibition 27 February – 2 Maich Home Appliances 11 - 14 March Rubberex '84

12 - 16 March

Barclays Techmart

Materials Testing 19 - 22 March 25 - 28 March Meatex 25 - 28 March Hevac '84 **Building Services** Exhibition The 13th International Healing, Ventilating, Air Conditioning and Building Services Exhibition 2 - 6 April





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Notice is also hereby given that interest upon Bonds so called for redemotion whall cease to be payable from and after the sails redemption date, namely the 15th Bay of January 1984, and coupons for interest maturing after the said date, namely the 15th day of January 1984, shall be vol6.

The principal amount of 15.75% Sonds outstanding after the said red date will be: \$49.898.888.88. DATED at Montical, the 25th day of November 1983.

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## Britain plans satellite station

into signals from Western Europe's first remote-sensing satellite, ERS-1, which is due to enter orbit later

Data from remote-sensing satel- useful to companies which operate lites, such as the U.S.'s Landsat oil rigs and to scientists. If Britain series, can locate mineral deposits bas its own station, UK companies

probably be in Scotland, will tune into signals from Western Europe's Government officials, however, are reluctant to continue with the ing built by the 11-nation European

launched in 1988. With a new tech- and Fucino, Italy. ing whether to set up a receiving nique, the satellite will scan the People in Britain receive data oceans with radar to provide a re- from these stations under arrangeheights or wind sneeds.

forecasts. The information could be The £10m station, which will or help farmers to monitor the or research organisations could be directly linked to it.
The £200m ERS-1 satellite is be

current arrangements when West- Space Agency, which operates re-ern Europe's own satellite is ceiving aerials in Kiruna, Sweden,

presentation of, for example, wave ments co-ordinated by the UK's Reneights or wind speeds. mote Sensing Centre at the Royal . With the data, civil servants say, Aircraft Establishment.

PLIGHT OF UNEMPLOYED REMAINS BLEAK

## How life has improved for office workers

and impoverished, according to the latest edition of Social Trends.

**UK NEWS** 

The book is an annual compile tion by the Central Statistical Office

of 1982 and illustrates the impact of the recession, which was at its worst during spring of 1981. In April 1982 the average earn-ings for all full-time male employ-ees were £150.50 - manual employees earning an average £130.50 and non-manual workers £175. The average gross weekly earnings of all

female employees at that time was £99, 8 per cent higher than in 1981. In real disposable earnings the gap between manual and non-manual workers has been widening, manuals experiencing a slight de-cline and non-manuals an increase, although tax and inflation have gobbled up virtually all the nominal increase in gross earnings since

Gross weekly earnings rose sharply between 1975 and 1982 for eil workers, although there was a drop in real disposable earnings for most workers between 1975 and 1977 and again between 1979 and

Between 1975 and 1982 the gross weekly wages of manual workers at the upper and lower quartiles of earnings increased by 150 and 148 per cent respectively, but in 1982 real disposable earnings were 1 per cent down on 1975 at the upper quartile and 3 per cent down at the lower quartile, well below the levels reached in 1979.

For non-manual workers at the upper and lower quartiles gross weekly earnings increased by 171 and 175 per cent between 1975 and 1982, In 1982 real disposable earn-

1952. In 1952 real disposable earlings were 8 per cent above their 1975 levels.

The wealthiest 1 per cent of the population owned 23 per cent of all marketable wealth in 1981, compared with 31 per cent in 1971. If oc-cupational and state pension rights are counted into wealth the richest 1 per cent of the population own 12 per cent of wealth and the richest 50 per cent own around 80 per cent. Spending on escapism soared in the past decade. Real consumer spending, allowing for inflation, in the UK increased by 14 per cent overall between 1972 and 1982. Real

change in the UK, in

a decade that has wit-

television sets and video recorders

increased by 133 per cent. British residents took 47m holi-days in 1982, compared with 41m in 1971, and within these figures holidays abroad rose from 7m to 14m.

Britain's population in 1982 numbered 56m, about 500,900 more than in 1971. By the end of the century there will be 750,000 more people aged 75 or over.

Dietary habits have changed, slowly but steadily since the 1960s. Liquid milk, eggs, beef, veal, mut-ton and lamb are becoming less popular. Poultry and fish have gained in popularity and margarine has gained at butter's expense. More is being spent on alcohol and less on tobacco.

Last year 95 per cent of house-holds had a vacuum cleaner and 93 per cent had a refrigerator, 51 per cent owned a freezer compared with 32 per cent in 1978, and 60 per cent had central heating compared with 52 per cent in 1978 and 39 per cent in 1973.

Nearly all households in 1982 had a television set, 77 per cent having a colour set and 20 per cent a hlack and white. About three quarters of households had a telephone, compared with 45 per cent in 1973.

Girls can expect to live to 76.2, compared with 75 if they were born in 1971. pared with 45 per cent in 1973.

About 2m of Britain's 18m homes in 1981 however, were defective, lacking basic amenities or needing substantial repair, About 1m were unfit for buman habitation - a figure which remained almost con-stant between 1971 and 1981.

There were still 3 per cent of households without the sole use of a bath or shower in 1982, a substantial improvement on the 12 per cent of 1971. The number of homeless bouseholds in Britain also continues to rise, up from 33,170 in 1980 to 35,700 in 1982,

were living alone.

THE MATERIAL quality of life continues to get better for Britain's office workers and is about stable for manual workers. The lot of the unemployed, however, remains bleak and impoverished, according to the latest edition of Social Trends.

Robin Pauley looks at the supposed Projections show reductions in the dependent school age population which would ease the pressure – with the number of pupils aged five or over paragraphs. pupils aged live or over expected to fall by more than Im to about 8m by

More men than women die every of the gradually changing pattern of Britain's social and economic life.

The current edition gives the picture from the early 1970s to the end to the following the end to the spending abroad, however, rose by 80 per cent and real spending on of the Second World War on the male population.

In 1982 the birth rate was 12.6 per thousand, well down on the 1964 baby boom peak of 18.7, but up on the 1977 rate of 11.6.

People continue to marry later at a median age of 26 in 1981, compared with 24 in 1971, and women at a median age of 23 in 1982, compared with 22. Almost three in five teenage grooms eventually divorce.

The number of illegitimate births The number of illegitimate births continues to rise, accounting for 14 per cent of all live hirths in England and Wales in 1982, compared with 6 per cent in 1981. For mothers under 30 there were more illegitimate births (29,000) than legitimate (27,000) in 1982.

Abortion is also rising, with 43 er cent of all extra-marital conceptions ending in abortion in 1981, compared with 26 per cent in 1971. There were 128,000 abortions in 1982, close to the 1960 and 1981 levels but 35 per cent up on the 1971

The British are also enjoying better health. A boy born in 1979 can expect to live to over 70, compared with 68.8 if he was born in 1971.

The 1982 whooping cough epidemic turned out to be every hit as serious as those in 1978 and 1957, with about 71,000 cases. The worldwide epidemic of sexually transmit-ted diseases continues to affect Britain as much as other European countries, with 500,000 new cases in 1982 seen at clinics, 8 per cent more than in 1981.

More than 3m criminal offences were recorded by police in England and Wales in 1982, more than in any previous year and 10 per cent more than in 1981. The clear-up rate is There were nearly 1m more peo-ple of pensionable age in 1981 than in 1971, and 500,000 more of them

The rise in the elderly population Social Trends 14, HM Stationery Of-may not pose the public spending fice, £19.95

## BY PETER MARSH

MINISTERS are likely to approve must obtain them from other coun-shipping will obtain better weather over the next few months Britain's tries, which leads to delays. first satellite station that can receive pictures of the earth from

The Government is also consideraerial in the Antarctic to obtain pictures from the same satellite. At present, people in Britain who want satellite pictures of the earth

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#### EAST DAGGAFONTEIN MINES, LIMITED

(Incorporated in the Republic of South Africa)

Directors: A H Lundin (Chairman), E W &azinet, J M R Berardo, J H Craig, P R A Ferguson, L Klingmann,
O'D S Redlern, C I Von Christierson, K C Whyte.
Alternate Directors: C P &riggs, C E Dixon, A G Netto

Company Announcement

#### ACQUISITION OF TG EXPLORATION (PTY) LIMITED AND JUNO EXPLORATION (PTY) LIMITED

Shareholders are advised that East Daggafontein Mines, Limited ("the Company") subject to any necessary approval by shareholders has concluded an agreement with Southern Prospecting (Pty) Limited on B December 1983 to acquire, free of liabilities. Tg Exploration (Pty) Limited ("Tg") and Juno Exploration (Pty) Limited ("Juno"). Tg and Juno are active mineral exploration companies which were previously wholly owned subsidiaries of Texasguif Incorporated of the USA ("Texasguif"). The total consideration payable to Southern Prospecting (Pty) Limited for tha acquisitions is R1,2 million in cash and 350 000 shares in the Company, which shares are under the control of your Board of Directors. The share element of the consideration was based on a price of 550 cents per share.

The principal assets of Tg and Juno are:

- A 20% participation interest in a joint venture with Johannesburg Consolidated Investment Company Limited ("JCI") and Newmont South Africa Limited ("Newmont") for gold exploration in respect of four separate areas in the Transvaal and the Drange Free Stata of approximately 50 000 hectares in total extent.
- 2. A 20% participation interest in a joint venture with JCI and Newmont in a gold exploration project known as the Fochville Project, covering approximately 15 000
- 3. A 5% subscription right in respect of the Fochville Project.
- 4. 300 million tons of proven manganese one reserves with an average grada of approximately 35% Mn situated on certain farms in the Kuruman District, Cape Province, the mineral rights to which farms and certain surface rights are owned by
- A base metal and gold exploration project in the Transvaal covering approximately 2 300 hectares. Negotietions with a certain mining company in respect of a joint venture are at an advanced stage.
- Mineral rights and prospecting and option contracts in respect of 158 hectares situated adjacent to an in close proximity to the North Driefontein mine area of Driefontein Consolidated Limited, District Oberholzer, Transvaal.
- Geological records, exploration and office equipment and vehicles.

In addition senior personnel formerly employed by Texasgulf will be employed by the Company and will continue to manage Tg and Juno.

As a result of this transaction the Company is now in a position to conduct its own exploration activities and has also acquired significant interests in long tarm exploration joint ventures with major mining companies which have considerable expertise and land holdings. In particular, the Company's participation interest in the Fochville Project has increased from 10% to 30%, and in addition it now owns a 5% subscription right requiring no contribution to exploration costs. Furthermore, it is the Company's belief that the Northern Cape menganese reserves and tha mineral rights and options in the Oberholzer District are strategic long term holdings.

It is the Company's intention to contribute its full share of exploration expenditures in the joint ventures referred to above and also to conduct other independent programmes. Total exploration expenditures by the Company ere estimated to be a minimum of R1 million per nnum for the next five years.

A H Lundin (Chairman)

O'D S Redfern (Director)



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12 December 1983

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fact that the qualities which the Falcon draws from its cousins the Mirage fighters are nearly provocative.

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A special information kit on the Falcon 100, 200 and 50 has been prepared. To obtain it, please send your card to Paul Delorme, Dassault International, 27 rue Victor-Pauchet, 92420 Vaucresson, France, or just call him at the following number: (1) 741.79.21.

Dassault International

.Business takes off with Falcon.

#### THE MANAGEMENT PAGE

NEVER IN the glamorous and high-priced world of strategy consulting has there been a revolution quite like It. Just two years ago the Boston Consulting Group, Bath Braxton and the otner leading "strategy boutiques," as they are now known in the trade, were still focussing the attention of potential clients on their staple mean of "scienrific" analyses and matrices aa the key to belier corporate

strategy. Now most consultants are preaching the much more ambitious gospel of "corporate cul-ture." Belaledly reacting to their clients need for more flexible and effective means of grappling with today's rapidly changing business environment, they are talking about ways of matching a company's strategy no its culture, or, even more ambitiously and controversially, of belping a firm to change its culture to sult its strategy. "In Search of Excellence"\*

the much publicised million-plus seller which lays so much emphasis on corporate values and "keeping things simple" is only the tip of this growing cultural iceberg. Mc-Kinsey, the same consultancy which produced that book's authors, Tom Peters and Bob Waterman, has also spawned one of the writers of another current U.S. best-seller "Cor-porate Cultures."\*

To be fair to McKinsey, which

change, such as organisational spread of rational analyses opposed to strategy analysis and

houtique" saying, in the words he even looked rational, with of BCG's latest "Annual Pershis hair parted down the pective," that "We believe the middle, and his precise, steelkey has shifted from having a rimmed spectacles. strategy to being able to chonge

a strategy." And again, "It is an inescap-able fact that the shared values, beliefs and behaviour of a com-pany—its culture—change only pany—its culture—change only slowly. How does one actually change behaviour in a corpora-tion when all the unwritten rules may work to keep it the

However self-evident such truths may appear, they depart fundamentally from the domi-nant consulting patterns of the last two decades.

In the 1960s. In a period of economic and business growth theme in leading businesses, through acquisitions as well as notably U.S. General Electric, internally generated investment, as well as in consulting and the problems were of adjust-ment, control and planning. Top • Analytically skilled business consultancies, led by Mckinsey, focused an questions to do with

Corporate consulting

## Why 'strategy boutiques' are changing tack

BY DEAN BERRY AND CHRISTOPHER LORENZ

In almost complete contrast. by the time BCG really got going in the late 1960s and 1970s (growing dramatically right through three recessions), the critical atrategic issues were largely to do with businesses or markets—external problems, in other words. "Business con-sulting," as distinct from management consulting, was

necessary pre-condition of A necessary pre-condition of this shift in focus (also reflected n what was taught at advanced business schools design and implementation (as opposed to strategy analysis and formulation), it actually seems problems. A key symbol, and rather embarrassed by the success of the two books, and is approaching the new fashion of "culture" consulting "with culture.

But it comes as a line of rational analyses (quantitative if at all possible) of husiness and management problems. A key symbol, and a direct influence on the lectionary in the lection of the consulting with the assistance of Defence in the assistance of Defence in the assistance of the comes as a line of the consulting to the comes as a line of the comes and the comes are line of the comes as a line of the comes and the comes are line of the comes are line of the comes and the comes are line of the comes are line o reculture consulting with U.S. Department of Defence in the early and mid-1960s with numerical data, computer to find a specialised strategy houtique saying, in the words the even looked rational, with the point material data, with the point material data, with the point material data, with the point material data with the point material data.

#### Change in emphasis

So the climate was right for a significant change in consul-tancy emphasis:

With the onset of a series
of recessions and more global
competition, companies had—
more than ever before—to get

• Complex, rational analysis had become the dominant theme in leading businesses, as well as in consulting and business schools;

school graduates were finding their way into consulting and

explicit formulation, expression and legitimisation. This occurred when BCG launched a way to classify and label the a way to classify and label the atrategic performance of operating units, with explicit tools for analysing their performance (The Experience Curve and Growth/Share Matrices), plus the associated concept of "business portfolios."

The power of this kind of rational analysis, geared to the market and especially to com-petitive practice, seemed attuned to the strategic issues of the day and to the inclina-tions of forward-looking managements and governments. The formulation of it galned rapid and wide acceptance, first in North America, and more recently in Europe. Even the British and Swedish governments became alients

British and Swedish governments became clients.

The impact of BCG's tools and concepts on business schools was equally dramatic. Business policy, a subject area which had been almost wbolly taught by the Harvard "case method," came to be seen as more critically important and academically valid. The professors anoinled themselves teachers of "strategy"—it is always better to feel at the centre of a movement and part of its mystique than be trailing

was the natural process of genesplitting and cloning that marks
professional nrganisations. A
series of new firms such as
Bain, Braxton and Marakon
Associates — the "strategy
boutiques"—was created. Like
BCG, they grew extremely
rapidly, each with it. on a theme of an analytical crystal ball.

Among the "products" they used or created to sell business—" for client development" in the euphemism of the trade -were: PIMS (Profit Impact of focused in questions to do with their way into constituing and internal management, such as into powerful corporate staff Market Strategy), a massive at least until a thoroughly deep divisionalisation, profit centre positions.

But the trend still needed an teristics and performance; nine- the late 1970s and early 1980s



cell matrix screens of industry attractiveness; shareholder value analysis; and the ublquitus "strategic business unit" (SBU).

For the new, analysis-orientated strategic consulting firm, the business "development " process went as follows: 1. Hire the brightest and best of the MBA graduates and pay them extremely high salaries. Make sure the salary levels get leaked to the press, to graduates and also to corporate recruiters, so that the information gets circulated widely among prospective clients.

duct up-market.
What an unbeatable formula! Bright telented people using powerful tools for the fortunate few who can pay for competitive advantage !

That business concept worked extremely well for consultants:

changed many of the rules of the world business game-or, rather, underlined the fact that the rules had never been as simple as implied by this sort of

simple as implied by this sort of strategy consulting.

The 1970s hype of consulting analysis and technique went to extremes; at one point it was even claimed that the PIMS database proved that the observed relationship between market share and profitability was actually cause and effect. And the whole approach suffered from being overdirected to the choice of products and markets, and to making the investment decisions to support these market posi-2. Develop a semi-proprietary to support these market posi-

#### Narrow view inadequate

Fortunately, a growing body of consultancy clients (or potential clients) considers such a narrow view to be inadequate. me have found that 1970s style strategy consulting did not deliver the promised benefits. Others never shared such an inflated faith in the miracleworking power of product/ market analysis. Above all, perhaps, most top executives are becoming painfully aware that

the pace and complexity of environmental change now require them to develop much greater abilities of adjustment. in organisational as well as strategic terms. They are frequently all too aware of the intransigence of their corporate

On their own, these factors constitute sufficient reason for the leading consulting firms to reposition themselves for the 1980s. But two further reasons could underlie their rapid shift towards a preoccupation with corporate culture.

First is the consulting world's need to fill a gap (actual or potential) in continuity and revenues. Quite a number of chief executives are abandoning the very long-term engagement of teams of consultants in favour of short, periodic con-tracts. Radically slimmed businesses need to get on with it and are politically sensitive to consultants who stay too long. Culture consulting, by contrast, must be carried out over pretty lengthy assignments (almost by definition) if it is to have any

The second point is simply one of fashion. Because of the one of fashion. Because of the intangibility of their service, many consultancies feel they have to sell easily identifiable products or packages, rather than the vaguer but potentially more valuable competence of handling all sorts of problems and opportunities in the round and in depth.

Such "products" in consulting can be a trap in themselves whether they are about strategic analysis, culture or anything else. Yet even Management Analysis Centre, which bas a better track record than most consultancies in effecting cul-

consultancies in effecting cul-tural change, has produced a new "checklist" called "the CEO's Change Agenda."

The strategy boutiques seem to be following suit either by creating their own culture "products" in a bid to capitalise on the fashion, or by implying in more general terms a competence in management and culture as well as in analysis. They are right to link culture man agement with market analysis. Good consulting needs both. But can they deliver?

"In search of excellence, by Thomas Peters and Robert Waterman. Harper and Row,

"Corporate cultures, by Deal and Kennedy. Addison-Wesley.

Dean Berry is chairman of the Centre for Business Strategy at the London Business School. He was previously Dean of Insead, and laught at Harvard and Yale. He is also an independent con-

A further article, on the dan-gers of culture consulting, will appear on Wednesday's Man-agement Page.

Overcoming recession

## Risk taking is back in fashion

. BY TIM DICKSON

ment, reflects an increased appe-tite in large companies for business risk, it is significant that the change in attitude was even more evident in privately owned manufacturing, service and sales firms employing less than 500 people — a category which comprised two-thirds of the respondents.

The swing in attitudes was established by asking executives established by asking executives to rate on a five-point scale their company's risk-taking profile over the previous five years and to contrast that with what they thought it would be over the next five (see below). More than 40 per cent thought. More than 40 per cent thought their companies would be "much more willing" or "a little more willing" to take risks in future, compared with 27 per cent over the last five years. Britons and Australasians have recorded the baggest shifts in opinion, with Singaporean, German and Dutch executives

RISK taking has been pushed into the back seat in recent years as major companies bave struggled merely to survive. But a survey of current attitudes in 10 countries suggests that the tide may now have turned.

Regardless of how robust the economic recovery proves to be a large percentage of nearly 400 European, Asian and South American executives surveyed expressed confidence that their companies' willingness to embark on new projects. Brazilians and the french appeared to be the most choomy, with Brazilians thinking companies entirely shunning risk over the next five years would almost double to 30 per cent.

While some of the gloom seems to bave lifted, caution is still the keynote among those interviewed. The number "much more willing" to take still the keynote among those interviewed. The number "much more willing" to take still the keynote among those interviewed. The number "much more willing" to take as only higher in Italy and Singapore. Responses from some of the others showed in percentage terms that up to half were less positively disposed towards risk than in the past five years.

Asked about their companies' willingness to embark on new projects. Brazilians and the french appeared to be the most important to be the most important to be the most in projects. Brazilians and the french appeared to be the most ingo companies of the other should almost double to 30 per cent.

While some of the gloom seems to bave lifted, caution is still the keynote among those interviewed. The number "much more willing" to take the projects. Brazilians and the pr

Asked about the most important ingredient for active risk taking most respondents put availability of capital at the top. Higher rewards came second overall with buoyent markets and more competent management the next most significant factors. Surprisingly, perhaps, relaxed financial controls came bottom of this poll, with Japanese managers the only ones seemingly controls the state of the seeming the seem only ones seemingly con-strained by their accountants. Why did companies lose their

spirit of adventure? Depressed markets was the unanimous answer, followed by lack of capital and insufficient personal rewards.
Oddly enough the penalties for fallure weigh heavily only nn the minds of British and Singaporean managers, with Germans apparently the most

Clement

CORPORATE ATTITUDES TO RISK TAKING OVER THE NEXT FIVE YEARS

Millado	1	-					-	No. of Street, or other Persons and the Street, or other Persons a	1	-
Not willing to take risks	18.5	1.9	6.8	_	B.		_	_		
A little willing to take risks	169	9.5	178	250	182	171	12.5	175	194	17.2
About the same on Pow	30.6	38.6	27 4	182	29.5	277	31.8	11.8	25.7	26 0
A little inters willing	254	34 6	32.0	273	250	31.7	273	17.6	358	29 6
(final) (note to Tang	6.0	11.5	11.0	9.1	11.4	19.2	182	11.5	97	15.8
São Prospicação	3.7	36	4.1	45	91	21	Ι-	110	5.2	41



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#### THE ARTS

Architecture

Colin Amery

### Art and commerce

Last week the positively final version of the new design for the extension to the National Galle y was announced by Lord Annan chairman of the trustees, and the developer Mr Nigel Broackes of Trafalgar House. Il is a year since the architects. Ahrends, Burton and Koralek and the developer won the competition and in that 12 months many changes have been made to the original design. The principles remain-that

the developer will provide the National with the new top-lit gallery space for the Early Renaissance collection and this will be financed and supported hy offices leased to the developer for 125 years at a nominal rent. Lord Annan feels certain that this is the only way a gallery will actually be built in spite of the fact that the Government owns the sitc, and has ear-marked it for the National since the war. There may well be reservations about the divisians of the valuable space between art and commerce and future generations will wonder why the Government could not afford to build its own building on its

The anticipated cost of the extension is film—about one-sixth of the cost of one of the latest frigules ordered by the Government. For this sum the developer will acquire 51,000 square feet of offices (it has been suggested that the rental value is in the region of £1m per annum), and the gallery aproximaiely 35,000 square feet of spare. As the developer plans to make this office building his own headquarters this is in this arrangement the nation

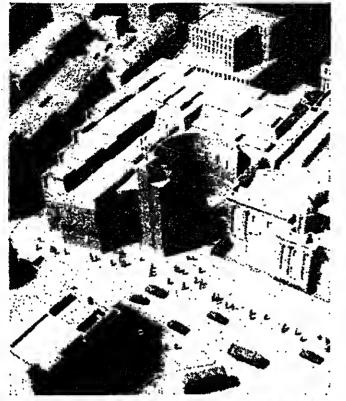
Nash

piece by John Buller. Sonnet is exactly what its title suggests,

a five-minute setting for sop-rano, fittle and string quartet of Shakespeare's 23rd sonnet, "Weary with toil, I haste to my bed."

As Buller's programme note

As Buller's programme note neknowledged, matching Shape-speare to musle can be tautologous. His simple accompaniment reflects this swareness an image of dight and dreams carefully assembled in shifting, sliding string chords, occasional flute flutters, and a viges line that money it simple curves with kills or mannentation and graceful intervals. Not a



estate agents' language a "hlgb gains some new rooms for some mallity pre-let" and is likety of the finest paintings in the world and the developers secure an important blue chip investment.

The question that exercises me, and anyone who has seen the matter of this agreement.

The question that exercises me, and anyone who has seen the latest models of the scheme. is what has bappened to the architecture? When Abrands, Burton and Koralek displayed Nash Ensemble/Wigmore Hall lbeir winning proposals there was an element of elassical, **Andrew Clements** almost Roman drama about their Ensembla's a superbly effective miniature galleries. Curved ambulatory spare and an almost vaulted roof gave this scheme a sense of The Nash Ensembla's a superbly effective miniature evidently rellsbed by Felicity Palmer.

Eastern Europe on Saturday.
Bul between the Suk, Dvorak, Martinu, and Smetana, the group found space for the first performance of a short vocal piece by John Ruller. Somet architectural timelessness that suited the paintings and the whole atmosphere of the gallery.

Miss Paimer also contributed two sets of Slavonic songs, the Gipsy Songs of Dvorak and Smetana's Night Songs, declaimed rather stridently, though with careful enunciation. The Nash players enjoyed themselves in Martinu's Soulet for suite once claring. The latest proposals have lost much of the architectural drama. This is presumably because since the competition the brief has been considerably amplified. The trustees re-quested an increase in the pro-Sexlet for flute, oboe, clarinet, two bassoons, and piano; at least, one bopes they did, for there seems little point in programming Martinu's cham-ber music, except that it is fun vision of gallery space. They also suggested that in the rooms they wanted to see "a sense of ber music, except that it is fun to play. I keep trying with the music of this composer—when being serious it sounds like unlaspired Hindemith, when bigh-spirited it mimics trivial Milhaud. Suk's Elegy for piano trio was also new to me; some immutable character, of form- major misjudgement.
ality and balance and a rectiThe full proposal ality and balance and a rectilinear layout with a degree of exhibited to the public at the ceremony." This must have meant an almost complete redesign. During the last year the civilised mooning shaped into a peat bipartite scheme, quite without individuality or more

gallery slaff prepared an "ideal It is the relationship between the groups of paintings that has now, quile righlly, deeided the shapes of the rooms. It seems a much more sensible plan for a permanent collection to abandon the pointless idea of flexibility. Too often flexi-bility means simply not knowing what is needed.

There are 17 new exhibition rooms — all alr-conditioned and top-lit. Paintings like The Arnol-fini Marriage, The Rout of San Romano and Piero della Francesca's Baptism will occupy the selting. The trustees are par-ticularly glad that for the first time paintings from both north and south Europe can be shown

It is probably early days to onsider the finishes for the interior of the gatteries but the architects have proposed "nlaster walls with a painted fabric finish." Floora witt be polished stone. Anything woutd be better than the soiled carpets of some of the present Italian Rooms.

It is the outside of the new

wing that leaves a great deal to be desired. Flat roofs reptace the twin barrel vaults of the early design and the most noticeable addition is the new noticeable addition is the new 100 ft glazed stair tower. At the top of the tower witl be a coffee abop and good views of Trafalgar Square. It is the tower with its masts and curions stepped profile that is the silliest change to the original plan. The architects have explained that a vertical feature was needed to balance the tower of St Martin's but this design is both inelegant and pointless. One can only cynicpointless. One can only cynically hope that it has been put in so that the planners will feel that there is something that they can legitimately insist on removing. What is particularly odd about this new design is that it bears so little relation to the one "prefered" by the public that it almost amounts to a dismissal of the public's views.

This final proposal is patently an attempt to redesign the whole project without quite los-ing all the qualities of the first scheme. In many ways k would have been less of a compromise to start the whole thing again. The "new" design is without the confidence of the first exercise and the most obvious new element, the tower, looks like a

#### Turning Over/Bush Theatre

#### **Michael Coveney**

Four years ago Brian stated criticism as he fixes is because Mr Thompson Thompson had a play called Martio's microphone, and the chooses to follow through each Tishoo performed in the West characters speeding un like the character's notions of happiness End. It was not a success: I Keystone Cops as the editor in by complicating their emotional seem to recall that Alec McGowen was emotionally torn between Penelope Willon and a cage full of rabbits. Since then Mr Thompson has visited India and has made a television programme about a great railway there.

In Turning Over at the Bush Theatre, which has one of the funniest first acts of the year, we see a television fitm about life on an Indian hill station being shot on location and, on the other side of the slage, heing edited in Acton. A writer of children's books, Martin has chosen India for his contribution to a series cursed with the generic title of "I could be hanny here." The director. Frank, wants a film of the right length, with lots of smoke and length, with lots of smoke and sunset, and a divorce. He also resents Martin who is in-experienced in television and went to the same grammar school where he won prizes.

This running feud, played out with brilliant precision and smouldering bad temper by Gary Waldhorn as Martin and the brutally incisive Charles
Danre as Frank, switches from
Sue Plummer'a clever Indian
evocation of rush matting and temple doorways silbouetled on a matchwood background, to the studio where Frank is dis-consolately running the film through with his uninterested editor (David Sibley).

The business of making the film is a chief source of comedy, with the lugubriously unruffled soundman (Peter Jonfield) delivering scathingly under-

characters speeding un like the keracter's notions of happiness Sally edge tentatively towards Keystone Cops as the editor in by complicating their emotional an affair that neither is really London messes around with his involvements. These scenes are prepared to follow through. switches. Also implicated are very well written, but our Frank behaves abominably an innocuously overweening expectations aroused by the first while bustling the film along in Indian travel operator, Mehta act delirium are unceremoni-

the second act with a consequent beautifully conveyed. Mehia and

(Nadim Sawalha), a bored expatriate housewife, Sally IGeraldine James), and an innocently imputsive PA, Penny (Frances Barber).

The play undergoes a deliberate oblic of tension in selves, in the subcontinent is selves, in the subcontinent is The play undergoes a the chimera of "finding them-deliberate shift of tension in selves" in the sub-continent is diffusion of comic energy. This Penny spend a night together

for both of them. Martin and order to get home as soon as possible.

As a small-scale complement to David Hare's A Map of the World, this is a decent, thoughtprovoking and often funny evening, impeccably lit by Gerry Jenkinson, and a fine conclusion Bush Theatre.



Gary Waldborn, Geraldine James, Peter Jonfield, Frances Barber and Charles Dance

#### **Book Review**

**Nigel Andrews** 

James Cagney: The Anthorised Blography by Doug Warren, with James Cagney (Robson Books, £8.95, 232 pages) Merie by Charles Higham and Roy Moseley (New English Library, £8.95, 220 pages)

Ingrid Bergman by John Russell Taylor (Elm Tree Books, £9.95, 128 pages)

Jomes Cogney: The Authorised Biogrophy by Doug Warren (with Cagney) gives us the respectful vin to the yang of the speculative biography. If un-authorised biographies are often hopelessly untrustworthy authorised biographies are often bopelessly dult. "Just a job,"

Cagney keeps saying, when asked to comment on one of bis past movies, "No stress, no strain." Those who watched Michael Parkinson trying to squeeze blood from a slone when he interviewed Cagney on BBC TV three years ago will know what Warren must have experienced. The book is a long haul for all but the devoted. BBC TV three years ago will know what Warren must have experienced. The book is a long haul for all but the devoled, leavened only by Carrow's ieavened only by Cagney's sprightly comeback when asked if he ever actually spoke bis

mosi famous catch-phrase. "No. 1 never sald. 'You dirty rat.' I said 'Judy, Judy, Judy'" (Cary

The odd thing about Merle, bowever, is that it is hugely enjoyable. If we are to bare bokum, let us have hokum of this class. "Travel, the story-teller says, hack over 80 years, across the Indian Ocean, through

John Russell Taylor's Ingrid Bergmon, alas, is disappointing: little more than a glossy and expanded publicist's biography, written with Taylor's usual in-souclance and wry, fleet prose, but with far less commitment Grant's own legendary calchphrase).

At least with Cagney there are the films. But who would wish

#### major work, by any means, but interest. Canso Trobar/Sadler's Wells

Clement Crisp from a Doumier Rousseau an artistry unique in its pre-jungle in the enchanting decor for Cornirul; Geoffrey Burgon, setting biblical fexts; realisasetting biblical fexts; realisa his brief interpretations, but tions - very skilled by Martin how else to qualify a perfortions — very skilled by Martin
Best and Barrington Pheloung
— of Provenced sougs, are the
musical matter of London Contemporary Danice. Thestre's
latest programme The range of
inspiration is typical of the
company's willinguess to tenture wide, and this final selecseason is very well balanced.
The Saint-Soens Cornival is
Siobhan Bavies Ingeniously
attractive staging made last
year for Second Stitle It is
musical matter of London Conture wide, and this final selecseason is very well balanced.
The Saint-Soens Cornival is
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musical matter of London Conture wide, and their willer
season is very well balanced.
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musical matter of London Conture wide, and this final selecseason is very well balanced.
The Baint-Soens Cornival is
Siobhan Bavies Ingeniously
attractive staging made last
year for Second Stitle It is
musical matter of London Conture wide, and this final selecseriously sensual attitudes of
courtly love. The dances are
in the main buoyant, but there
are duets which suggest passionate meetings, and one
ideally restrained section, for
Anca Frankenbaeuser and Patrick Harding-Irmer, that touchingly conveys the poet's
reverent adoration of his lady.
Robert Coban's Sound Ingeniously
Robert Coban's Sound Ingeniously
and the evening, uses the
extraordinary sonorities of
Geoffrey Burgon's settings of
served texts to sustain an excentional display of emotion, the
dancers impelled in racing
sweeps of mevement,

Saint-Saens, gazing at us 'cellist In bolh he demonstrates

the standard string quartet, and the String Trio op. 20. In the continuing Olivetti International Webern Cycle the other nervy original testimony, ensemble pieces have gone Zemlinsky's sharply im: mostly to the Ensemble Inler-Contemporain under Pierre Boulez; but the pure string music was saved for the superb

LaSalle Quartet, who played it all on Friday along with early Berg and late Zemlinsky. apt choice — wrillen between virtues one admired when the Webern's Five Movements, op 5 LaSalle last played them bere, and an easy one for the LaSalle, who measured its degrees of crepitating passion with their

and the Six Bagatelles, op customary extreme finesse. Expressionist pieces; the much Under their bows the inressant later Trio and Qoartet are 12-surgings and ebbings of the score seemed as natural as individual stripped-down style, breathing. Zemlinsky's Quartet musical geometry in which per no 4 was composed in 1936, two years before the Quartet of Webern; interesting in its own right, It also concludes Zeminsky's spring of courters in the music is without neer. series of quartets, spaced out over several decades, with a typically not-quite-conclusive air. Zemlinsky's

The International Webern Cycle at Barbican Hall Though Webern used strings Irony is prominent, more cheer- in the autumn of 1912. It made In many chamber pieces, he composed just three works for composed just three works for the autumn of the autumn of 1912. It made In the autumn of 1912. It mad

colours were realised precisely by the LaSalle team, whose own collective timbre is hauning and faintly husky, and wonderaSalle Quartet, who played it all on Friday along with early fully adaptable to the extreme hues required by Berg and Berg and Late Zemlinsky.

Berg's op 3 Quartet was an Movements bad all the delicate and the crunch of absolute con-viction too. The still briefer Five Bagatelles were ethereally noised and magical. Those are formers must find the essential

DAVID MURRAY

Webern heard Schoenberg's years later, by way of final reso- delight on Saturday to bear the do, but would have gained from

neo-classicism. It sounds some-how more marginal than the earlier quartets, more like a good professional product than "wasteland" of his own existence into the lofty spiritual dimension which Schoenberg's new work represented. For five Zemlinsky's sharply imagined years, weighed down by sickness and depression (and a short, bizarre spell in the army), he wrote very little—continuing the series of tiny orchestral fragments from which he was later 10 draw his Five Pieces op. 10, and finishing only the tiny, definitively microcosmic Three Cello Pieces op. 11 and a group of Three Orchestral Songs (which remained unperformed and unpublished until the 1960s).

> Webern did not begin to break through this stylistic impasse until 1917-19, when a new sense of direction and confidence crystallised in two groups of songs, Four Songs op. 13 for voice and orchestra, and Six Songs op. 14 to poems by Julson, in firm and ample voire.
>
> Georg Trakl. These were I still do not find the works of foltowed. in 1921, by Four this transitional period wholly Sacred Songs op. 15; and four convincing: but it was a special

apboristic style. That, in broad over-simplifica-

tion, was Webern's Pierrot crisis. It would have been a neat piece of thematic programme planning if Pierre Boulez bad been able to include, in one of his two Webern Cycle concerts at the weekend with the Ensemble InterConlempotain, the entire posl-Pierrot sequence in a single Pierrotrelated programme. Bul, no doubt for practical reasons, the

theme was fragmented: on Saturday evening we heard the cpp. 13, 14 and 15 songs contrasted with Berg and Schoenberg from different periods; and at Sunday lunchtime, only the three on posth tongs and the three op. posth. songs and Five Pieces op. 10 mixed with later Webern and with a splen-did assortmen; of more or less Pierrol-related Varese, Stravinsky and Ravel.

The soprano soloist on both occasions was Phyllis Bryn-Julson, in firm and ample voire.

with such ease, naturalness lyrical warmth. Boulez's direction was at its best, deft and sensitive, while following Miss Bryn-Julson's lyrical exampte; without her, nolably in the choral pieres and Webern's eight orchestral fragments, it could occasionaly tend to the tigbl-lipped and brusque.

The Ensemble InterContemporain programme on Sunday stretched out beyond the Viennese school, with not only Varese's Oclandre (exciting per-formance under Boulez, with fine Kraken-howls from the brass) joining the Webern, but Stravinsky and Ravel — the voice-and-ensemble pieces that represent their own responses to Schoenberg's Pierrot. Phyllis Bryn-Julson again lent her serene sonrano 10 Stravinsky's intricate little Japanese Lyrics (and two earlier Balmont songs for good measure), and to Ravel's matchless Mattarme songs. The latter sounded

songs. The latter sounded lovely, as they cannot help but

DOMINIC GILL

depths.

extravagantly difficult song-sets, op. 17 and 18, Miss Bryn-Julson made the difficulties un-believably light, and she was tender and musical with the op. 8 Rilke songs and also three of the fascinating posthumous songs lin some ways, dramatic beyond anything in the statutory neurre).
The chief Webern in this

bloodless to reveal their real

in two of Webern's most

concert was, however, the Concerto, the op. 10 Five Pieces for Orchestra and tha Symphony the its "chamber version", which is to say simply with solo strings against the modest winds). Boulez's sympathetic, unburried account of the Symphony was read enough. the Symphony was good enough to make one wish he had a full string complement; the Con-rerto was better still — quite remarkably lucid, and with a strong central piano among the exreltent soloists of the Ensemble. The on. 10 Pieces, best of all, were rigorousty genile, perfectly linted, un-improvable.

DAVID MURRAY

### Arts Guide

Neste/Monday. Opera and Ballet/Tuesday. Thestre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts ap-

December 9-15

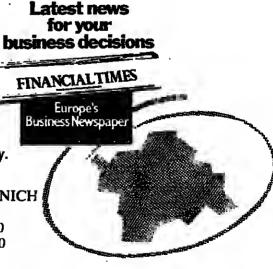
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Music

Kint Moli Recital, Cord Garben, pis-no: Schubert's Winterreise (Mon) Theatre de l'Athenie (7425727). St.-John Smith Square orchestra con-ducted by John Lubbock, Igor Oisducted by John Linbock, give on-trakh, violin, Natalia Zertsalova, hi ano: Bliss, Haydn, Mozart (Mon) JMP-Chatchet (233444). Scharz Vortices: Schoenberg, Marco, Fanelon, Garcin (Mon) Radio France, Grand Auditorium

ambie Orchestral de Parts conducted by Jean-Fierts Waller with ducted by Jean-Fierts Waller with Maurice Andre, trumpet, Michele Pena, soprano: Haydo, Hummet, Bach, Albinoni (Tue) Salle Pleyel (581 0630).

Pestival d'Art Sacrèt Haydn - Qushuor Via Nova, Marc Bleuse - Akroma Percussion Quintot, Anne Fondeville, soprano, and choir (Tue) Saint-Severin Church (277 1883).

And and Raffi Petrosision: Grieg, Moszkowski, Rachmaninov, Liszt (Wed)

kewski, Rachmaninov, Liszt (Wed)
Gaveau (563-2030).
Occinestre National de France conducted by Charles Dutoit, Pascal, Roge, panic Magnard, Ravel (Wed) Theatre des Champs Elysées (123477).
Paris Harp Gentour: Rameau, Dandrieu, Vivaldi, Bouthy (Thar 12.30 am, 3 pm) Pleyel, Salle Chopin (5810830).

Festival D'Art Sacre: Bach, Mozart,

维

Schoenberg, Lenot, with Jean-Louis GH; organ (Thur) Saint-Germain-dts-Prts Church (277 1883). WEST GERMANY

in Philiprenonie: The Berlin Philharmonic Orchestra and Concert Choir offers Bach's Christmas Oratorio conducted by Fritz Weisse. Sol-vists are Hanna Schwarz, Gudrun Sieber, Heiner Hopfner and Her-mant-Christian Poister (Sat, Sun). Prankfurt, Alte Oper: piano recital
with Indolf Buchbinder playing
Beethoven Sonatas (Tue),
London Symphony Orchestra under
Canutin Abbado; Schubert, Mahler

and Besthoven (Wed).

Berlin Philhaphnoois Orchestra conducted by Seiji Ozawa, with baritons Dietrich Flacher-Dieskau; Mozart, Mahler (Thur). ZURICH

Tonhalle: Tonhalle Orchestra, conductor Dennis Russell Davies, Walter Grimmer, cello: Debussy, Yun (concerto for cello), Mussorgsky (Wed). Chamber Music with the Tokyo String Quartet: Haydn, Schubert, Ravel (Thur) (2011580).

LONDON Royal Philharmonic Orchestra, con-ductor Walter Walter, Tamas Vasary piano: Mozart, Dvorak. Royal Pestival Hall (Mno) (928319t). ondon Sinfonietta & Volces, conduc-tor David Atherton: Ravel, Vaisse abeth Hall (Mon) (9283191).

London Philharmonic Orchestra, con-ductor Vernon Handley, John Lill piano: Dvorak, Rachmaninov Piano Concerto No 2, Vaughan Williams, Royal Festival Hall (Tue) (9283191). Seana Philharmonic Orchestra, con-ductor Zubin Mehta: Webern, Schu-

minor Zhom Menta: Weeter, Schi-bert. Barbican Hall (Tue) (5388895).
Royal Philbermonic Society Chamber Orchestra of Europe with Salvatori Assade, conductor and violin, and lona Brown, violin, all Mozart pro-gramme. Royal Festival Hall (Wed) (9283191).

(9233191).
hilingirian String Quartet: all Eest-hoven programme. Elizabeth Hall (Wed) (9283191).
Fenna Philharmonic Orchestra, con-ductor Zubin Mehta: Schumana, Schoenberg. Barbican Hall (Wed) (528898) ductor Walter Weller, Henryk Saor-yng: violin. Beethoven, Brahms Vio-

**NEW YORK** 

lin Concerto, Strauss. Royal Festival Hall (Thur) (9283191).

New York Philharmonic (Avery Fischer Hall): Andre Previn conducting, Handel: Messiah, with Choral Arts er Hall): Andre Previn conducting, Cecile Licad piano. Rachmaninoff, Shostakovich (Tue); Andre Previn conductiog, Pinchas Zukerman vio-lin. Gould. Bartok, Rachmaninoff (Thur). Lincoln Center (8742424). ulliard String Quartet (Carnegie Hall): Thomas Riebl viota, Nathaniel Rosen cello. Mozart, Brahms (Wed). (247 1459).

sice Sacra (Avery Fischer Hall): Handel: Messiah (Mon, Wed). Lin coln Center (8742424).

Wavery Consort (Church of St Mary); The Christmas Story collected from 10th to 15th century sources in-cludes medieval procession of the with word century sources includes medieval procession of the prophets, Gloriosi et famosi (Wed, Thue). 139 W 48th, E of 7th Av (556 1250).

erkin Hall: Manhattan String Quartet Beethoven Shostakovich Scho bert (Tue): Music Today. Gerard Schwarz conducting, Sol Greitzer vi-ola, Richard Goode piano. Chavez, Berio, Perle, Kurka, Rolnick (Wed); Concerts Plus, Simca Heled direc-tor. Ramesu, Gruenberg (Thur), 67th W of Broadway (362 9719).

Music Group. Jaime Laredo direc-tor. All Mozart programme (Tue, Wed). 92nd & Lexington Av. (4274410).

Kaulmann Hall (92nd St Y): Chambe

Society (Mon, Tue). Kennedy Center CHICAGO

Chicago Symphony [Orchestra Hall): Erich Leinsdorf conducting, Murray Perahia piano. Ruggles, Schumann, Mozart, Ravel (Thur). (4358111)

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#### FINANCIALTIMES

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Monday December 12 1983

## Defence and deterrence

THE BRITISH showing of the American television film, The Day After, on Saturday evening almost coincided with a Nato ministerial meeting in Brussels which came back to the twin themes of defence and deterrence. Nato ambassadors, the communiqué said, were instructed to "undertake a instructed to "undertake a thorough reappraisal of East-West dialogue." And that surely is the heart of the

To start with a few iaescap able facts nuclear weapons exist and caonot be disinvented. They differ from earlier weapons in their greater capacity to destroy and to do so more quickly. The best theory of defence over the ages has been based in the bettef in the necessity to preserve a balance of power, so that no one power can afford to attack another with impunity. The theory of deterrence is based on the uncertainty created by the possi-bllity that a power that is altacked, even by conventional neans, might respond with nuclear weapons. Hence, so the theory goes, there has been no major wars between the great powers in the last few decades.

#### Adjustments

These theories are not perfect. and their weaknessea should be taken with the utmost seriousness. Yet so should their strengths. The fact is that the United States and the Soviet Union have avoided large-scale for that is their mutual appre-ciations of their great destructive power if it were ever put to use. That is deterrence at Even now, when rela-between Moscow and tions between Moscow and Washington are at an unusually low ebb, there is no expectation of a war on the central front. The balance of power orevents It, and both sides know it.

Indeed, even if there were to be no early resumption of talks on arms control, it is unlikely that the balance of power on the central front would change very much in the foresceable future. The deploy-ment of new systems, sufficient to change the balance and to make a risk worth taking, regulres too long a time, and in any case the other side always reacts by making its own adjust-

The search for the causes of present instability and nervousness leads elsewhere. Some of the older campaigns for a more peaccful world seem to have been, at least temporarily, abandoned. For example, there is now no great steam behind the attempt to seek more signa-tories to the treaty on the nonproliferation of nuclear weapons. There is no impulse behind the possibility of a com-prehensive test ban treaty, either. And even the idea of a nuclear freeze, which would, of course, have to be subject to verification, bas won rather less support than it might have done.

#### Reconciliation

Moreover, relations between Moreover, relations between the super-powers bave not really been breaking down over the issue of the deployment of long-range theatre nuclear weapons in Europe. Those are the symptoms rather than the cause. If there were to be seri-ous conflict, it would be much more likely to arise from events getting out of hand in Lebanon, tran, Iraq, the Middle East in general, or even Central America. The situation on elther side of the Elbe ls, if

power relations has come about on a much more worldwide basis than the old East-West divi-alons. Washington and Moscow no longer trust each other, no longer know what the other is doing and perhaps are unclear about what they are doing them-selves. That does not make it easy for them to take others

Year. Diplomacy is not just about the number of warheads or launchers. What is needed is o much wider political frame-work—a will to seek agreement despite the difficulties. At the moment, neither the will nor the perception of the wider frame-

work seems to exist.

In a small way, Mrs Thatcher provided a pointer at the weekcnd by seeking a reconciliation with the new President of Argentina. The gesture was as unexpected as it was magnanimous. But it was also a recog-nition of reality. It is better to negotiate than to pursue con-frontation. There is a lesson there for great powers as well.

## More choice for house buyers

on conveyancing, designed to expected to supply. However, remove part of the monopoly such a disparity of reward must

Mitchell's House Buyers Bill are modest. It would leave over balf of all private homes, including flals, unregistered houses and most new houses, within the solicitors' monopoly, exlng of registered property. It is reasonable to assume that solicitors could also retain the greater part of this liberalised business because of their links they are willing to compete in price and efficiency with hanks. building societies and peofes-sional conveyancers licensed under the proposed legislation. The Bill contains a number

of practical proposals which would enable a house sciler to commission surveys for the benefit of posspective buyers and penalise local authorities for delays in answering inquiries. The destrability of such improvements can hardly be contested, and they need not necessarily be linked with the rlipping of the solicitors' mono-

poly.

Those opposing the monopoly argue that it makes conveyancing too expensive — though it. is not as expensive as the services of estate agents when these consist only in an introduction of the two parties which could be more efficiently achieved by a mini computer. Solicitors are said to be dilatory — although the delays are often in the interests of their clients who are waiting for a buyer or seller or the approval of a mort-

#### Argument

The solicitors argue that they protect the house huyers by their auperior legal skill; yet most of the work is done by junior clerks without any legal skill. The clients' main protection is the solicitors' indemnity insurance, hut the Bill would and building societies. Licensed require the same from other conveyancers seem the most conveyancers - indeed, it may be easier to obtain an admission of negligence from someone not

backed by the Law Society. Ihe Bill, A more realistic argument is indemnity vides by far the grealest part tion of the legal peofession two-of the solleitors' income, must thirds of a loaf would still count remain their monopoly because as an impressive achievement it subsidises other unprofitable for Mr Mitchell.

MR AUSTIN MITCHELL'S Bill legal services which they are on conveyancing, designed to remove part of the monopoly granted to solicitors by William be debated in the House of Commons later this week.

> The real benefits of allowing competition to rationalise this arcane department of British life go far beyond the saving in conveyancing fees and the ex-pediting of husiness. Greater involvement of banks and build-lng societies is bound to generate pressure mwards faster registration of land so that transfer of property can be made as simple as it is in most continental countries of Eucope. Taking a longer view, it should not be beyond the imagination of building societies, nice they had a more direct involvement in the legal arrangements, to provide cheap bridging loans which would obviate the need for the long chains of bouse transfers which bedevil most British house owners every six years on average, and militate against the mobility of labour which is so badly needed. For solicitors to have to give

up part of their present mono-poly may prove to be a blessing in disguise. They will be obliged to give greater attention to other tegal husiness and to become better, lawyers in the process. Their claim to appearance hefore higher courts would be strengthened. Their clients would then benefit from having to pay only one lawyer instead of two or three, and by greater speed resulting from a smaller number of professionals involved. In the same way, the bouse buying public as well as solicitors would benefit if English solicitors were allowed to combine their present activities with those of estate agents as Scottish solicitors are, with-

out any harm to their professional integrity. It is encouraging that most Ministers now favour the Bill, though less satisfactory that the Government appears anxious to restrict conveyancing to banks conveyancers seem the most likely of the three groups to bring real competitive edge to the business and would, under Bill, be covered by insurance. that conveyancing, which pro- against the entrenched opposi-

homes will have a computer and the country is at present buying more of them than the rest of Europe put together. Yesterday Sinclair Research, the company which more than any other started Britain's love any other started Britain's love affair with the computer, celebrated the production of the one millionth Spectrum at its main sub-contractor. Timex, in Dundee (the company bas already sold more than im ZXSI computers worldwide). Sir Chive Sinclair has been kicking himself for underestimating the Christmas demand. His

HIS Christmas, British homes will be flashing,

hepeing and buzzing to the sounds of Hungry Horace,

Lunar Jet Man, Purple Turtles, Sheer Panic and Metagalactic Llama. An extraordinary boom in home computers—many of

which are used for playing games—has caught some of even

the next optimistic manufac-turers and retailers by surprise.

Britain has more computers

per head than any other country in the world. By the end of this year about one in ten

very scarce and the company bas cut back almost all its adver-tising. Sinclair believes it

tising. Sinclair believes it could have sold half as many again as the 300,000 units it will have sold in the last three

months of the year.

at Acorn.

ing the Christmas demand. His computers bave at times been

not stable, at least containable. The breakdown in super-

with them.

It would be idle to pretend that all will he well again if the talks on arms control resume in Geneva in the New

has developed so rapidly in such a short time. We started selling personal computers right from the bounds of all expectations,"

says Mr Peter Jackson, market-ing director of Rumbelows, a Shortages of parts—semi The surge in demand is a major reversal of the depressed

to start making the Electron

early next year.)
Last Christmas—the first year

home computers became a sig-nificant consumer purchase—

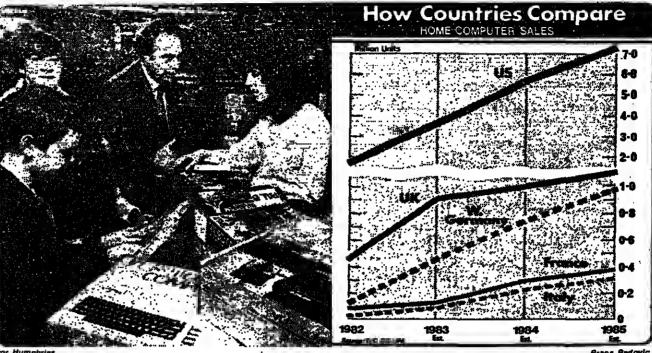
most shops had virtually sold

out by mid-December. It looks as if everyone has under-estimated demand again. "I don't remember a product which

BRITAIN'S HOME COMPUTER BOOM

## They're walking off the shelves'

By Jason Crisp



Computers being sold at Hamleys toy shop in Regent St. London.

THE UK TOP TEN

£99

Source: Personal Computer News, compiled by MRIB (Computers)

tumbling - particularly Texas Instruments, Atari which is owned by Warner Bcothers, and Coleco. In the UK, Grundy and Iotech went into receivership (both have been bought by nther companies), Dragon bad to be rescued with a major cash injection and at least one other company has been in difficulties.

The new Electron computer from Acorn, the company which makes the highly successful BBC microcomputer has been in even more dramatic short supply. The Electron, at £200, is half the price of the BBC Micro. And demand bas been particularly strong because it is The UK manufacturers say there are a number of reasons for the current shortages. They predicted substantial growth but compatible with the BBC Micro which is widely used in schools. without total conviction becau There have been hundreds of requests for the Electron at branches of W. H. Smith. of the lack of any reel experi-ence in this very new market. The disastrous summer for "We have had 200,000 orders personal computers in the U.S. from retailers, which is just ridiculous," says Mr Tom made some companies more cautious still. And industry sources say that companies like Sinciair did not step up produc-Hohenberg, marketing manager Only a few thousand Elec-trons have actually reached the tion as much as they might have done because they expected large volumes of the shops, although they are being airfreighted from the manufacturers Astec in the Far East. (AB Electronics in the UK is

Electron

market.

But the shortages of the Elec-tron and Spectrum have un-doubtedly boosted sales of other manufacturers and may have even saved some of the smaller companies from bankruptcy.

In the U.S. the picture is now much the same. Manufacturers are struggling to meet a pre-Christmas demand estimated to be writh the mail or the mail or the same. be worth \$2bn. The major retailers have been placing last a short time. We started selling minute orders with the manupersonal computers right from the start . . . but the growth Instruments products now that was not spectacular. Then the company has withdrawn suddenly from October onwards sales leapt ahead. It was beyond very of Coleco's Adam home

to appear on the

major retailer of electrical conductor chips, disk drives and goods. "They're walking off the other sub-assemblies, have limishelves." says another dealer. ted the production capacity of conductor chips, disk drives and ted the production capacity of several U.S. home computer makers during recent months as state of the personal computer the component manufacturers industry earlier this year. In have turned their attentions to the U.S. a major price war sent more complex and more profit-company results and their stocks able devices.

computer has put added pres-

IBM's entry into the bome computer market with the is, by any standards, a remark-announcement last month of the able market. "PC JR" came too late for • West Germany and France Christmas sales, so the U.S. bave not produced nearly as giant's eppeal has not yet been many microcomputer entrefully tested in the market place. IBM will not deliver demon-stration units to retailers until

the New Year and some buyers are happly to wait until then. On the other hand IBM's announcement seems to have

puter stores, despite earlier predictions of shortages, In Britain, the three major suppliers of home computers are Sinclair Research with the

ZX81 and the Spectrum; Com-modore, the U.S. company, with the VIC-20 and the 64; and Acorn with its BBC and Electron computers. Atari, also U.S.owned, has been doing well in Britain recently. Other British companies include Oric, Dragon and Lynx.

Sinclair Spectrum Acorn BBC

Dragon 32 Texas Instrume Sinclair ZX81 Atari 800

In European terms Britain writing computer software in Britain has in turn stimulated

ing up in both the U.S. and the • The Department of Industry's Micros in Schools scheme, which has subsidised the cost

of the computers, is more advanced that similar schemes

ages amajor boost for companies such as Acorn and Sinclair.

The scheme was launched in April 1981 and a total of £21m is evailable to help primary and secondary schools buy micro-tal the dozens of IBM-compatible imitators were in plentiful supply last week in U.S. computer stores, despite earlier predictions of shortages.

In Britain, the the sales a major boost for companies such as Acorn and Sinclair.

The scheme was launched in April 1981 and a total of £21m is evailable to help primary and secondary schools buy micro-tal equipment. Three micros approved under the productions of shortages.

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In Britain, the the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment. Three micros approved under the primary and secondary schools buy micro-tal equipment the primary and secondary schools buy micro-tal eq figures from primary schools 84 per cent have chosen the

BBC computer, 11 per cent chose Research Machines and just 4 per cent opted for the Spectrum. • The English language has

meant most of the U.S. comducts and software in Britain first after the U.S.

Source for UK†

Dundee Gwent Corby Feitham

Port Talbot Texas, U.S.\* Dundee

• The high levels of skill in

the market.
"There is probably more talent per capita in computer software skills in the UK than any other country in the world," says Mr Howard Stanworth, general manager of Commodore in the UK. Commodore, which claims to have the largest sales of personal computers world-wide, uses British-written programmes extensively.

The reason that the computers themselves are selling so well. says Mr Simon Pearce, senior consultant at IDC-Europa, a consultant at IDC-Europa, a subsidiary of the U.S. consultants International Data Corporation, is that "Parents seem to be very worried about their children, They have this ridiculous idea that you will have to know how to program a commutant in future in order a computer in future in order to get a job. Yet by the time they are grown-up computer applications will he much easier

"People see computers as a justifiable expenditure because it is seen as giving the child a better chance in life. The children, who know much more about computers, are certainly not going to contradict their parents."

Acorn believes the children for any micro; Any move also know what computer they want—although the shortage of Electrons is boosting the sales is in business personal components of other companies products (Acorn claims a number of to the Japanese manufacturers. potential Electron purchasers are trading up and buying the more expensive BBC Micro at

to write their own programs, sk presumably to their parents' direlief. They also use them with educational programs.

A major worry for the manu-

facturers now is whether this year's pre-Christmas boom will merely be a fad with a sharp fall in sales next year. Mr Eric Salamon, marketing director of Atari in the UK says: "The evidence is it won't die away. Overall we expect the market to grow next year by between to grow next year by between 15 and 20 per cent." Most com-panies broadly share his view. though they expect a lean first

But the nature of the business is beginning to change. As the base of computers has grown, so the opportunity to sell peripheral equipment has become much greater. Mr Howard Stanworth at Commodore says: "The computers are only part of the story. The disc drives, the colour monitors and printers vastly expand the usefulness of the machine. In two years time the computers them-selves will account for only 20 per cent of our total sales—at the moment it is about 70 per

But the strength of the UK home computer market does not mean that all the British companies in the field will survive.

"The UK manufacturers are doing very well but they don't have the domestic market potential to survive in the long term. The companies which will survive are those shipping inter-

says Mr Pearce, of IDC.

Both Acorn and Sinclair have substantial overseas sales but know they face severe U.S. and know they face severe U.S. and
—in the future—Japanese competition. Acorn has just started
shipping the BBC micro to the
U.S. for the education market,
a strategy that has heen widely
criticised because of the highly
competitive market there. But Acorn is optimistic and has just increased its forecast U.S. sales from 30,000 to 50,000 for next

The Japanese consumer electronics companies are another long-term threat to the smaller British micro companies, far the Japanese have been rather conspicuous by their absence—although Sharp and Sord are doing quite well in the UK. Although the Japanese companies are highly skilled at mass manufacture needed top produce low cost computers here is a problem with available software.

Most of the home computers use slightly different operating systems which means the software has to be written speci-fically for each machine. The volume of software that is available is a vital selling point

For now the primary concern of any company in the UK more expensive BBC Micro at fa00).

Mr Hohenberg, of Acorn, adds that children get bored with using the computers for video games and do use them to write their own programs, the computers which come into nur warehouse don't touch the sides before they are out again to the shows." shops," s distributor, says one

Additional

## **Men & Matters**

#### **Business** head

London Business School may bave chosen an academic as its next principal instead of a businessman tas Sir Terence Beckett, chairman of the governors, had in mind), but Professor Peter Moore is no vory tower dreamer.

One of his favourite relaxations is travelling by train: "Because I like trains—and because it is the best way to meet people and see places," he says. On a recent visit to the Far East, he took a seven-hour train journey from Singapore to Kuala Lumpur rather than hop across country in a few minutes by air.

as professor of statistics and operational research at its in-ception in 1965, after spells as a university lecturer, and in industry with the National Coal Board and the Reed Paper group. When co-founder of the LBS,

Prof Jim Ball, became principal in 1972, Moore became his deputy, and has been closely associated with the school's extensive development over the

His expertise has been in demand, both from private man-agement and public bodies outside the LBS.

Moore was a consultant to the Wilson Committee on Financial Institutions; he is a member of the Doctors' and Dentists' Pay Body and vice-chairman of the University Grants Committee. The LBS has come through the recession and recent higher education economies remarkably well. And Moore takes over as a number of projects and developments are being

initiated. The new part-time MBA course got off to a good start this year. "It has enabled us to tap a much wider constituency," be says. "People from a much wider business backgroundfrom the public sector, small businesses, and self-employed are now coming in."



"But think of all the TV spinoffs-hosting chat voice overs, endorsing tyres"

In all some 2,000 executives a year are now attending courses at the school. And Moore is enthusiastic about the LBS'a expanding cole, especi-The new Centre for Business

Strategy, in little more than a year, has begun to tackle a wide range of problems related to the UK's comparatively poor industrial performance. funds are now being raised for a research chair in marketing and communication.

#### Hitched up

Morgan Stanley, most blue vestment hanks, has landed an unexpected plece of business sion fund of the Teamsters

The fund, you may recall, does not have an unspotted record. It has probably led to more charges of corruption and spilt blood than any pot of time, a large part of its assets was invested in Las Vegas

† Final assembly. \* Manufacture recently ceased.

Such was the corruption, in fact, that it was mainly responsible for the enactment by the U.S. in the early 1970s of ERISA, the law that tightly controls where pension fund man-agers can place their cash.

The fund bas been cleaned up now, which is why Morgan felt able to bid for it. Even so, I gather, the deal caused some controversy along Morgan Stanley's well-carpeted and veneered corridors. Not quite the sort of job, some thought, for a house that counts the British Treasury among Its

But then Morgan is hungry It is a small player in this multi-billion dollar game. Before the Teamsters came along, it had about \$70n, whereas the market leaders have five times that figure.

#### No space

Vldeo games, bave been meeting strong official resistance in several Far East countries. Now comes news of a revolt against space invaders in the United States.

The video and arcade games

machines in the small New England coastal town of Marsb-field have been carted away in trucks after the Supreme Court refused to hear an appeal against a town ordinance banning them.
So the 20,000 townspeople

bave won an 18-month battle against the machines' owners and supporters. And in the

process they may have begun a new nationwide movement. While other U.S. communi-ties, worried about adolescent passions for the machines, have attempted to regulate their use, Marshfield went a step further. Led by Tom Jackson, a re-tired state drug squad police-man, the people of Marshfield voted in June 1992, to throw the machines out of town—

overturning the liberal regulations favoured by the town's leaders.

Owners of the machines fought the eviction order all the way to the Supreme Court, arguing protection under the Constitution's first amendment which protects the rights of free speech. They even hired a Chicago constitu-tional lawyer who pleaded that the areade games were a medium of communication.

merchants plan to try to over-turn the ordinance at the town meeting next year.

In the meantime, with profits slipping away, they are making handsome one-off gains by sell-ing the equipment second-hand to overseas buyers in places like Egypt, among others.

Now that route has failed, the

#### High note

A number of City stockbrokers were keeping their beads down as they tip-toed up to the eighth floor of the Savoy hotel last week for a second interview with Merrill Lynch, the giant U.S. accurities firm which is planning to set up shop in Loudon next year.

An initial group of 80 investment analysts has been whittled down to 30, of whom only 20 will be offered a job with Merrill's, as City types are already familiarly calling it. But why would a well-paid hroker want to leave a top spot at, say, Scrimgeour's, Greenwell'a, or Capel's for a seat down the table at Merrill's? The interviewer at the Savoy

has one answer. "What you are doing now," he has been telling the men at his door, "is like playing the piano in your living room at home. Joining our firm will he like playing the organ in Westminster Cathedral."

## Civil law

Sign in a Whitehall office: "If in doubt, delegate."

Observer

# Everýday of the week, every week of the year, one of the

very latest Air-India 747s takes off for New York from London Heathrow. It departs at 1.00pm arriving 3.30pm, New York time. We think that's a most civilised hour

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#### FOREIGN AFFAIRS

## The lessons of The Day After

By Ian Davidson

The Day After; and it was not tro-Magnetic Pulse (EMP), the very brave to have backed out colossal emission of electric of a debate with the other comenegy which may accompany a mentators. Of the two, the lack nuclear explosion.
of bravery is the more surpris-

ing.
Mr Heseltine's changes of mind suggest a disturbing degree of over-reaction to what is, after all, in so many ways a hyped-up media event. The a hyper-up menus event. The main message of the film—the message in the foreground, as it were—is that nuclear with would be ludescribably borrible. So what else is new? As a series of images, the film is undoubtedly a sbocking porgeneral statement—that nuclear harrible - the film adds nothing new in principle to what we have all known ever since the first minimal atom bomb was dropped on Hiroshima.

On the contrary, if anything, the film understates the full horror of a nuclear war. In the first place, it asks us to assume that such a war could be stopped before the total destruction of both sides, and possibly of civilisation itself. We do not know if such an

assumption is plausible; it is certainly not reliable. In the film, the ghostly messages from the American President requires us to believe, first that the U.S. and the Soviet Union both took conscious decisions not to strike at each other's national command systems (so as to main-tain the possibility of intra-war negotiation); and/or, secondly, that the U.S. President and his command and control system could survive deliberately attempted attacks on them; and/or, thirtlly, that the command-and-control systems of the two sides would not fall victim to the (possibly unin-tended) side-effects of nuclear explosions, which would be view, then the film, so far from likely to knock our electric and over-stating the horror of

not know) have become increase so much soot up into the ingly pre-occupied with the atmosphere, that the sun would command-and-control problem, be blotted out and the earth

IT WAS not very clever of Mr The Reagan Administration is michael Heseltine, the British perfectly and electronic circuits against the destructive effects of Electronic conjured up by the film does

inherently vulnerable to dis-ruption: the helicopter transport which is supposed to take the U.S. President from the White House to some airfield where be can board his airborne command post; the problematic ultra low frequency (ULF) and extremely low frequency (ELF) radio communications with sub-merged submarines; thinskinned photographic and comcompleations satellites in orbit: of America's strategic communications still depend.

Nobody can know et wbat level of nuclear exchange these command-and-courted systems would go down, how many commanders and controllers would be killed, at what point an American President might lose his sang-froid. Presumably the film-makers took the best advice they could find. My own homes in that the servemee of touch is that the sequence of events—a large-scale nuclear exchange, of at least 300 mis-siles landing on the U.S., followed by an orderly cease-fire
—assumes a survivability of command-and-control systems which lies right at the most optimistic end of what is con-

In e seminal paper for the International Institute for Strategic Studies, two years ago, Desmond Ball argued that nuclear war would almost cerminal deterrence can remain residual to the seminal paper for the International Institute for International Internatio tainly not be controllable in this way. His argument was re-inforced and extended in e very recent book by Paul Bracken, The Command and Control of Nuclear Forces.

If that is a more plausible electronic circuits necessary for nuclear war, seriously under could lead to nuclear war. On command-and-control.

In recent years, strategists in scientific study, carried out in self with a vast gamut of the West (and, presumably, in the U.S., concludes that a major nuclear weapons, from long-the East, as well, though we do nuclear exchange would throw range intercontinental ballistic

conjured up by the film does not, for all that, necessarily constitute an endorsement of the views of the Campaign for the Views of the Views of the Campaign for the Views of the Views of the Views of the Campaign for the Views of the Views of the Views of the Views of the Campaign for the Views of the Views nuclear war: Soviet and American doctors and scientists have collaborated in studying and poblicising these dangers.

In that sense, the film ought to reinforce the case for mutual nuclear deterrence. If the flict would be as bad as por-trayed, then both sides in the East-West confrontation ought to remain as careful as they not least, the Bell telephone, have been for the past 30 years, system on which a large part. And if the consequences would be much worse, as some scientists now think, with the virtual extinction of civilisa-

tion, then the super-powers ought to be even more careful.

The film does not endorse the

paranold fears of some people on the far right in America, that Moscow could execute e

disarming attack on the U.S.;

on the contrary, the Soviet Union is said to have suffered

perfectly water-tight for ever. Yet the West has saddled itself

with two different views of

nuclear weapons which are

On the one hand, there is the

balance of terror which is de-signed to deter the Russians from starting anything which

missiles right down to short-

mntually contradictory.

It may be that the film,

far from over-stating

the horror of nuclear war,

seriously understates it



"The Day After," shown on British

of escalation is designed to ensure perfect deterrence; but the battlefield nuclear weapons are there in Europe, ostensibly to whelming conventional attack by the Soviet Union.

In other words, if deterrence bolds, all well and good. But if it breaks down, then the struc-ture of Nato forces will confront the Alliance with the ep-palling choice between defeat and the inauguration of a nuclear war whose outcome cannot be predicted, and probably cannot be controlled. In Nato parlance, this dilemma is dis-guised under the term "flex-ible response"; but if Desmond

Ball and Paul Bracken are right

there may be nothing flexible about it. Bracken characterises the Neto force structure in

Europe, in which conventional and nuclear weapons are in-

extricably mingled, as e regional doomsday machine.

In the film, the sequence of events which leads into nuclear

war is not entirely clear, but two points stand ont: first, that

cold-blooded enterprise, but a response to major trouble in

East Germany and Berlin; second, that Nato responded by

using nuclear weapons. Given the strains inside the Soviet em-

pire, this is not a scenario which can be simply dismissed as in-

Most serious stategists believe that nuclear deterrence against

Soviet invasion was not e

territary in the defence of Europe — but even a 5 per cent danger of an inter-continental war is almost certainly enough to deter a deliberate Russian attack from cold. What it may not deter is an unintended and uncontrolled sequence of events in which one thing leads to

If this is the problem faced by Nato, then unilateral nuclear disarmament is certainly not the solution. For the alliance abandon nuclear weapons, while the Sovlet Union retained its nuclear weapons as well as a very substantial advantage in conventional forces, would be to invite, if not military attack, then et least political intimida-

Nor is there any salvation in arms control negotiations, valuable though these would be on other, especially political, grounds. By definition, any nuclear arms deal would still leave beth sides with an enormous capacity for credible and mous capacity for overkill; and because verifiability would be e key requirement for both cover those battlefield nuclear weapons which risk being used first, because they are the least verifiable except by intrusive inspection on the ground.

If there are solutions to the nnclear problem they may lie along two parallel axis: first, by working towards a much clearer separation between conventional war-fighting deter-rence, and second-strike nuclear deterrence; second, by concentrating on the politics of pre-war crisis control.

dent Kennedy's Defence Sec. doubt the Russians will try to a cold-blooded Soviet attack is probably as stable now as it has ever been. The Soviet attainment of nuclear parity with the U.S. has to some extent weakened the credibility of retary and one of the original architects of flexible response, is now one of the many advonegotietions on measures to negotietions of the negotietions of t is now one of the many advo-

the willingness of an Amerinight's film, he said: "There is can president to risk American no military use for nuclear weapons, other than as a deterrent." Surprisingly, Mr Heseltine seemed almost to agree with him.

If Nato is to reduce its de-pendence on nuclear arms as war-fighting weapons, as more and more people agree it should, it follows that the alliance must continue its efforts to improve the conventional balance vis-a-vis the Warsaw Pact. Nato'a decision to withdraw 3,000 shorter-range nuclear weapons from Europe over the next few years is ob-viously a step in the right direction; its decision to abandon the target of an annual 3 per cent real increas in conventional defence spend-

Equally important is the parallel track of crisis management. The abandonment by the Soviet Union of the Euromissile negotiations in Geneva, and the apparent adjournment sine die of the strategic nuclear arms talks, are cause for concern. land to cities and a rapid more important opportunities are at stake in the negotiations land to manufacturing of economic manufacturing. superpowers, arms control more important opportunities agreements are least likely to are at stake in the negotiations on confidence-building me in Europe which open in Stockholm next mouth. On the one hand, these are

designed to draw up arrange-ments for reciprocal notification of military activities in peace time, so as to guard against surprise attack and, equally im-portant, against war by mis-understanding. On the other, the negotiations should provide a forum for East-West dialogue in which the megaphone diplo-macy of the superpowers may Mr Robert McNamara, Presi- of the European countries. No

#### Lombard

## Where the new jobs will be

By Samuel Brittan

I NEVER thought that I would are worthwhile and may enable paper would be of higher quality as profitability and wages, to than a Treasury one on an come on to the agenda later. identical topic. But this bas No disagreement. But the proved to be the case with the respective papers submitted by the two bodies for last Wednesday's National Economic Dewas an analysis of past changes velopment Council discussion on in industrial and occupational the topic "Where are the new composition both in the UK and jobs coming from?" Only chalatans will claim to

question. But it is nevertheless true that in a well functioning economy the jobs will come. The myth that there are profound technological changes thet condemn us to "jobless growth" is often enunciated by businessmen in saloon bar dis-cussions and is now becoming fashionable among some Tory wets," who have given up ou genuine economic policy. It has now been knocked firmly on the head, not by the Treasury, which should bave done so, but by the TUC authors. As they remark:

"Two centuries ago, the over-whelming majority of the work-ing population was employed on the land. If, during one of the periodic crises of recession and unemployment in that period the question of where new jobs were coming from had been raised, it would bave been impossible to envisage that the answer ley in a rapid npbeaval characterised by a massive move of population from the

Of course the TUC paper overstressed the role of demand factory growth and employment and did not discuss the links between pay and jobs. But the Treasury paper itself skated very gingerly over the latter, mentioning it briefly and last,

Perhaps the Treasury paper deliberately pulled its punches not to spoil the atmosphere for the tripartite discussions on job creation, which the Government, CBI and TUC want for different reasons. There are no illusions on any side about a return to tripartite management use Stockholm as a platform of the economy (fortunately); for propaganda, But there is et but the feeling is (a) that disleast an opportunity for serious cussion is preferable to the

in the U.S. These showed the familiar picture of a shift away have a precise answer to the from manufacturing end manual occupations to services, includeven bere the TUC went into more interesting detail and said much more about Japan and other European countries as

well as the U.S.

The Treasury could have taken discussion further. There are, for instance, problems about relating "pricing out of work" to the national income statistics. The CBI and TUC have come out with divergent factual assertions about movements in labour and profit divergences which official economists and statis-ticlans would bave beiped to etucidate. Then again there have been academic attempts to estimate actual real wage-employment equations. The earth would not bave opened up if the Treasury bad summarised and analysed this work.

The contrast that stands out between the sophisticated technical discussion on which top Treasury men insist in short-term forecasting or in speculative work on the narrow mouey supply, and the under-graduate essay treatment they accept on long-term structural matters. The whole point of the " new realism " which displaced management in securing satis-factory growth and employment ment was the belief that output and employment were ulti-mately determined by real forces rather than financial policy. It therefore follows that these real forces should receive just as high grade official attention as the monetary strategy or the Budget.
It would also help if the con-

vention of ascribing all official papers to the Chancellor, the Secretary of State for Industry and so on, could be abolished. Any political embarrassment from naming the real authors (as already occurs with Govern-Bank of England Dapers) would be no more than outweighed by

#### Letters to the Editor

#### Pricing and secrecy in the heavy fuel oil market

that Petrofina (December 1) prefers openness and trans-

Service to the

customer

From the Chairman and Managing Director, TI Domestic Appliance Service

Sir -On November 21 your newspaper carried an advertisement for the British Telecom-munications Unions Committee, comparing the respective qualities of service for telephones and domestic appliances. The statements concluded that most domestic appliances were repaired by

appliances were repaired by private companies, who levied "heavy" repair charges with excessive delays. On the other hand, BT repaired 30 per cent of telephone faulty within 24 hours free of charge.

The comparison makes in

reference to the differing objectives, or the cost/benefit criteria used by the different organisations, in determining those objectives. Suffice to say that these criteria are examined domestic appliance con panies within a very competitive market. I do not know how BT approaches objective setting, but I would suggest that a 24 hour response for some business customers is excessive, and they would pay more for a faster service, while ing the expatriate's search for domestic customers may be the crock of gold contains prepared to wait longer for a lower rental. I do not wish to use your valuable column space on a free market dissertetion; I would, however, like status—this is vitally important Group

objective very inefficiently. What are the criteria it uses for What are the criteria it uses for efficiency measurement? Without effective competition, this is difficult, if not impossible, to

domestic appliance repairs return to the UK. The qualify-are undertaken by the Gas and ing status has been removed Electricity Boards, other nationalised industries, owned by therefore no question of life

formation on a national and for crude has dropped by 10 per international basis. The figures cent. we have obtained from these why these price changes are exchanges have fully justified in opposite directions remains

secrecy only leads to inistrust.

In the circumstances buyers have resorted to defensive measures and we participate in prices have moved sharply 24, Broomhurst Avenue, 2 group which exchanges in upwards while the spot price Coppiee, Oldham, Lancs.

us all and eccountable to Parliament. They at least compete on service and can compare efficiency with the market place.

This is the "nub" of my argument. I do not believe that

washing machines and tele-phones can be directly compared, either in terms of reliability or maintenance cost. Better comparisons are rented TV, or computers. All domestic appliance service companies have "horror stories", but so does BT, though neither organisation encourages them. We in domestic appliance services, however, either private or pationalised, at least run the gauntlet of the market place in open competition. If the in open competition. If the unions committee is so sure of its service and its efficiency, surely it has nothing to fear

A. T. V. Bourke. Radiation House. North Circular Road, NW10.

Search for the crock of gold From Mr T. Cattermole

from competition.

Sir.—The article by Terry Garrett (November 28) concernseveral misleading items.

There is no mention of the one sixth rule in the section on From the Chief Executive. establishment of non-residency to comment on specific points.

Telephones are not "repaired for the expatriate whose first 12 months abroad do not exactly span one tax year (from service in that service is its continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad I for The continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad I for The continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad I for The continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad I for The continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad I for the expatriate whose first in the expatriate whose first in the expatriate whose first in the exactly span one tax year (from April 6 to following April 5) and who actually returns to the continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad in the continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad in the continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad in the continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad in the continuity — consequently I UK without completing a full tax year abroad (it is theoretically possible to serve abroad in the continuity — consequently I UK without completing a full tax year abroad (it is the continuity — consequently I UK without completing a full tax year abroad (it is the continuity — consequently I UK without completing a full tax year abroad (it is the continuity — Just because 80 per cent of telephanes are repaired within the organisation desa not make the organisation efficient. It may meet this circumstance if the one-state of the organisation o per cent tax exemption to which

of extremely limited value to A algolificant proportion of any expatricte who intends to riposte."

A algolificant proportion of any expatricte who intends to riposte."

Omestic appliance repairs return to the UK. The qualify-Hugh Metcalfe.

prefers openness and transparency in the beavy fuel oil market because the present secrecy only leads to inistrust. between UK and other European

assurance premium relief being

assurance premium relief being received nor any subsequent tax-free benefits.

UK-based life offices' savings plans take advantage of the 15 per cent bonus of LAPR and also provide totally tax-free benefits after 7½ years, either in lump sum form or as tax free income. If his assurance is

economical way.

Many expatriates are they are working abroad—the and ridges and it is this which criteria for this are based on seems to be the cause of the the persons non-working spouse noise. It is at a level which is baving accommodetion available quite unacceptable in the coun-

but their volatile nature, inherent risk and now the lack of relevance to the UK resident in their use.

T. R. Cattermole. 12, Third Avenue, Denvilles.

Mrs Thatcher's Seawolf

British Aerospace Dynamics

Sir,—I note that your report (December 7) on the EEC summit was headed "President Mitterrand's Exocet." Although this was in the circumstances an apt analogy, one would not like to see the word "Exocet" stoppable (French) force,"

the EEC at stake. In view of my company's antimissile missile's success against had to be revised steadily up-Exocet during recent trials, I bope your sub-editors will shortly be able to use the bead-line "Mrs Thatcher's Scawolf" in the sense of "a deadly

especially with the future of

Noise from the

Sir,—Doubtless those who wish to build motorways quickly will study closely the sequence of events and procedures of the "long countdown" to the build-ing of the Telford M54 motorway. Perhaps the scheme lost momentum when the inspector at the second public inquiry (1976) reached the conclusion that there was no urgency for the building of the motorway

and said so in his report.

Certainly, advantage was taken of the time lag to discuss the environmental impact on the neighbourhood and many things bave been done both by the Ministry and by private individuals which mitigate the visual effect of the road. It is said that income. If life assurance is efforts to reduce noise to an needed to provide substantial acceptable level have failed. The benefits on death then term noise, throughout my property, assurance is the most is quite borrific. It is due not to the engines of vehicles but to the ection of tyres upon the unaware that they can be concrete surface. The concrete eligible for LAPR even when has been ribbed with grooves in the UK.

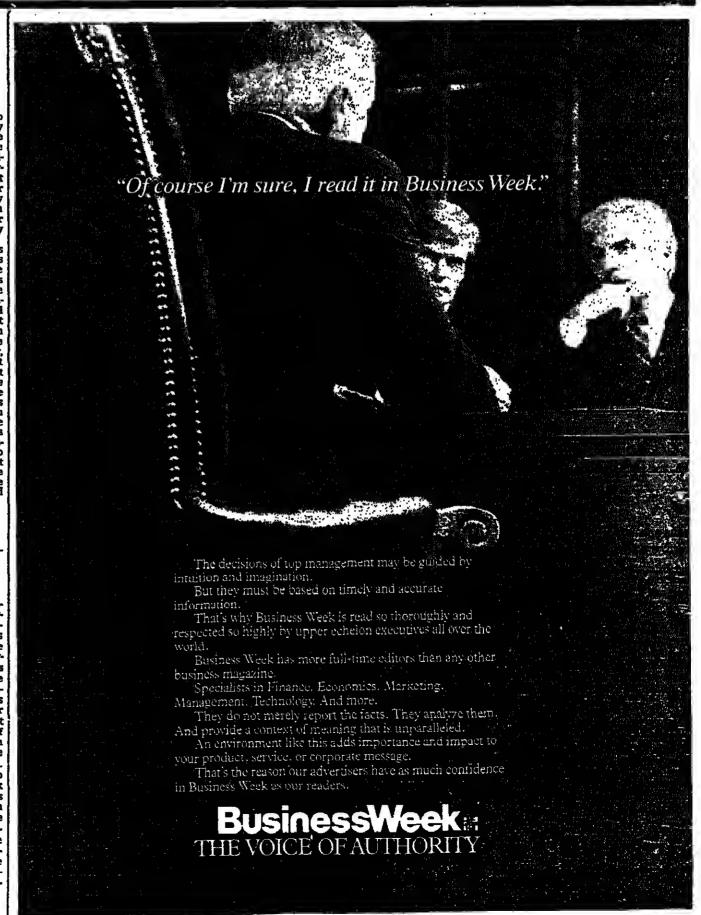
Offshore funds and life assurance plans have their place in the overall investment strategy, that the type of surface on the Telford motorway is never used

Peter Giffard.
Chillington Hall,
Codsall Wood, Woiverhampton.

A good record in forecasting From Professor P. Minford

Sir, Max Wilkinson (December 5) kindly notes the Liver-pool group's good inflation forecasting record. He perpetuates the myth, however, that the group is "consistently over-optimistic ebour output." This is not true in the light of the Central Statistical Office's revisions to GDP data. 1982 is now seen to have been a year of reasonable recovery (about 2 per cent) and 1983 a year of still faster growth (more than 3 per cent on the expenditure measure wblch we forecast). become synonymous with "un- Liverpool was one of the few to say this would be so, as far back as 1981; the consensus forecasts bave been generally bearish on the recovery prospect and have wards. The boot is therefore on the other foot, it is the cousensus forecasters who bave consistently overpessibeeu mistic about the output re-

> (Professor) Patrick Minford University of Liverpool. Eleanor Rathione Building, P.O. Box 147. Liverpool.



Terry Byland on Wall Street

#### Car sales recovery aids steel

THE RENEWED upswing in Wall Street's steel stocks, awaited since mid-summer as the herald of the bull market phase two, seems to be a long time coming.

Indeed, the recovery in stock prices to date seems in danger of far outrunning any recovery in the real world of the steel industry's sales and profitability.

Stock prices for National Intergroup, U.S. Steel, Bethlehem Steel and the other major U.S. steelmakers now stand between 60 per cent and 100 per cent above their 12month low points, although "you need a magnifying glass" to pick out the recovery in the industry, according to Mr David Healy, of Drexel Burnham and Lambert

Increased demand for steel from the motor industry remains the one bright patch, but the capital goods industry is still sluggish, and foreign imports remain a bugbear. But there have been slightly more opti-mistic signs from the stock market over the past month.

A recovery in car sales at the end of November, together with a favourable Commerce Department forecast of U.S. capital spending prospects, backed up gains of around 8 per cent in Inland Steel and National Intergroup and 10 per cent in U.S. Steel.

The round of third-quarter results was at least up to stock market expectations, with National Intergroup, formerly National Steel, winning plaudits on all sides for its return to operating profitability.

Inland Steel fell short of the best hopes, but U.S. Steel's success in absorbing the Marathon Oil acquisition now raises bopes of a small profit next year.

The view that the worst bas passed for steel stocks and that there are now prospects of capital aporeciation rests upon plans already in place at the major companies for a restructuring which is constructive for the industry to quote one leading analyst.

Alr Paul Anker, analyst with First Boston, points out that the sig-pact on the French car industry, nificance of write-offs for reorgani- Both Renault and the number two sations and plant closures at major | French maker, Peugeot, are losing producers is that these companies break-even point which will accelerate the earnings upturn when the

#### Major write-off

The past quarter has brought n reorganisation of Armeo's Middletown, Ohio, complex. The greatest move, though, is likely to come before the end of the year when United Steel is expected to announce a major write-off, perbaps as large as Slbn, in a further instalment of the shutdowns begun in 1979.

Write-offs of these proportions would add about \$11.50 a share to the losses of C1.60 n share already predicted for U.S. Steel this year, but savings, chiefly the substantial reduction in the workforce, could be in the \$40m range, which would enable U.S. Steel to trade profitably at a 50 per cent operating level, achieving a long-standing management target.

On this hasis, U.S. Steel, the largest steelmaker in the U.S., could re-turn earnings of \$5 a share in 1984, assuming that Marathon Oil maintains the trend of this year's third quarter when it turned in about \$231m, boosted by strong margins at refinery operations.

National Intergroup's name change in September also marked the final disposal of the Weirton subsidiary, which, from the parent company viewpoint, shed a subsidiary fighting to keep its feet in a contracting market, making steel for the conning industry.

It leaves National closer to its eventual aim of being a highly effi-cient producer of flat rolled steel for the Detroit car makers. With successful operations in financial services and aluminium, First Boston continues to predict break-even results this year from National at earnings of \$6 a share in 1984.

Like the rest of the stock market, steel issues are mesmerised at present by doubts over prospects for interest rates. But the doubts have particular significance for steel stocks, which have probably gained the maximum benefit from the strong rebound in the domestic car

industry. For a further advance, the steel companies need to see some indications in their order books of the long-awaited upturn in the capital goods sectors. But when such a recovery begins to show itself, then the newly shrunken operations of the major steel producers will be quickly reflected in a strong rise in

Just as the Detroit car making stocks in the upsurge in the market at the beginning of this year, the steel issues could yet provide the lead for a renewed advance in 1984.

TAKEOVER BODY WANTS NEW BID CLARIFIED THIS WEEK'

## Allianz in London talks on Eagle Star deadlock

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

AN ATTEMPT will be made today has already been recommended by to break the deadlock in the takeover battle between West Germany's Allianz Versicherung and BAT Industries of the UK for Eagle Star Holdings, one of Britain's larg-

Mr John Hignett, director general of the Panel on Takeovers and Mergers, the City of Londoo body which monitors the progress of takeover bids for public companies, will meet representatives from Morgan Grenfell, the merchant bank acting for Allianz, West Germany's largest insurer.

Morgan Greofell executives were meeting Allianz's management at the weekend in Munich after a Friday meeting with the panel. Mor-gan Grenfell was telling its clients that the panel expects a promised new offer for Eagle Star to be clari-

Last week, in a controversial announcement, Allianz said it intended to beat a £913m offer from BAT, the tobacco group. BAT's bid

No figures on the size of the likely offer were mentioned in the Allianz statement. Allianz persuaded

the panel to allow it more time to detail the terms - meanwhile it had talks with Eagle Star management last Thursday.

Already the panel's decision to allow Allianz an interval before announcing its terms has provoked argument in the City. Under the takeover code, which is expected to be followed by parties in a takeover hid, "when a firm intention to make offer is announced the terms of the offer ... must be disclosed."

Last Thursday's meeting of Eagle Star and Allianz was inconclusive and the relationship between the two sides tense. Sir Denis Mountain, Eagle Star's chairman, has told Allianz that if it succeeds in taking his group there would be "a loss of business and staff morale". He has condemned the "delaying

tactics" of Allianz. Morgan Grenfell is understood to rate meetings this morning.

be arguing before the panel that although nothing firm arose from Thursday's talks, which were designed to gain Eagle Star's support for any new Allianz offer, it needs more time to explore further possibilities of a deal.

Panel executives are becoming stive over Allianz's unprecedent ed tactics in the bid campaign, which in cash terms is Britain's largest takeover battle.

Allianz, however, is understood to move. It may decide to raise its of-fer Ip above BATs 660p offer for ev-ery Eagle Star share. That would comply with its indications last week that it would come back with a higher offer.

Both Allianz and BAT have until December 30 before they are obliged to make their final bids. Mr Hignett will also see repre sentatives from Hill Samuel, advis ers to Eagle Star, and Lazard Brothers, advisers to BAT, at sepa

## Leclerc plan to cut car prices threatens new discount clashes

BY DAVID MARSH IN PARIS

MONTHS of price-cut sparring among leading chains of French retail distributors have been given a new twist following announcement of a plan to slash prices of new cars by the Michel Leclerc petrol station

Leading French car groups and mporters' organisations at the weekeod were unsure how seriousy to take the plan, unveiled by the brother of M Edouard Leclerc, who beads the nationwide Leclerc dis-

count supermarket chain.

But it is clear that, if put into action, rebates of up to 10 per cent on marques such as Renault, Fiat, Austin and Opel could have a big immoney heavily, and car sales, after the year, are now starting to suffer from the Government's austerity programme.

**Der Spiegel** 

Flick affair

By James Buchan in Bonn

Office in Cologne said on Sunday that that it would examine Der

Spiegel, which goes on sale today.

to see if it contains excerpts from

the indictment against the five

men, including Count Otto Lambs-

dorff, the Economics Minister, who

face court proceedings for corrup-

Der Spiegel, which was available

in Bonn yesterday, gives a detailed breakdown of the alleged indict-ment, but at no point claims to be in

possession of the document and

argely confines itself to indirect

Herr Erich Bohme, one of the two

editors of the magazine, which has been bitterly attacked for its inves-

tigations into the affair said yester-

day that the article had been care-

fully examined alongside the law and had remained within it.

nance Minister, yesterday accused

Der Spiegel, and another Hamburg

megazine, Stern, of one-sided reve-

lations from the prosecutor's files

and spoke of a serious transgres-

sion "against the rule of law."

Herr Gerhard Stoltenberg, the Fi-

warned on

Flick Affair."

Figures released over the weekend showed that new car registrations fell 4 per cent last month compared with November 1982, bringing the cumulative total for the year to 1.3 per cent below the first 11 months of 1982.

Already this autumn petrol price cuts at M Michel Leclerc's petrol stations and M Edouard Leclerc's supermarkets have forced the Government to raise the legal limit for price discounts at petrol pumps -provoking ire from small indepen-dent statious. More recently, the Edouard Leclerc stores have clashed with Carrefour, France's leading hypermarket company, in a no-bolds-barred discount war backed up by lavish nationwide ad-

M Michel Leclerc said at the which have existing concessionary Leclere campaign unfolds.

links with the big French and for eign car groups. Already experi-enced in legal battles with the Government and oil companies during the petrol price war, M Leclerc is shrugging off the risk of supply boycotts. He has indicated he is ready to go to court to force the car manufacturers to deliver.

The Lecierc announcement has been denounced as a "bluff" by car dealers representatives. His declared aim of selling 200,000 cars through his discount chain next year - amounting to about 10 per cent of the French car market does seem unrealistically ambi-

But in view of the success over petrol discounts of the Edouard and Michel duo (although brothers, the price cuts from January, apparently using garages in his retail network while they see how the Michel

## More peace rallies in UK and W. Germany

BY MARGARET VAN HATTEM IN LONDON AND JAMES BUCHAN IN BONN

WEST GERMAN judicial authorities warned at the weekend that MORE THAN 20,000 anti-nuclear protestors demonstrated outside they would prosecute the Hamburg news magazine. Der Spiegel, if it the Greenham Common in Berkshire yesterday as Mr Michael Hes-eltine, the UK Defence Secretary, published excerpts from the indict-ment delivered last week of the five men at the centre of the so-called stepped up his efforts to counter the propaganda of the peace move-The General Public Prosecutor's

The moves came in the wake of Saturday's first showing on British television of the film, The Day After, which depicts the aftermath of a Soviet nuclear strike on the U.S.

The film has again fuelled the nu-clear debate in Britain but through-out many weekend radio and television appearances, Mr Heseltine insisted that possession of nuclear weapons by both sides in rough balance had kept the peace in Europe since 1945.

Meanwhile, in West Germany, some 10,000 people staged protests outside U.S. military installations during the weekend which marked the fourth anniversary of the Western Alliance's decision to deploy U.S. medium-range missiles in Eu-

truncheons on Saturday to clear demonstrators from the approaches to a U.S. military depot in the Haus-en suburb of Frankfurt, where the peace movement claims parts for the Pershing 2 missiles delivered to West Germany last month are being assembled. Six policemen were

 $\Gamma_{\rm s}$ 

injured and 89 arrests were made after street battles.

Police also cleared demonstrators from the approaches to the U.S. mil-itary beadquarters for Europe in Stuttgart and erected barricades round the U.S. base nt Mutlangen in South Germany, where the first Pershing missiles are being stored.

In Britain, an opinion poll con-ducted last Friday and Saturday showed that 58 per cent of those questioned disagreed with Mr Hes-eltine's claims that the peace movement was n threat to the nuclear arms talks, while 52 per cent disapproved of the London Government's handling of the cruise missile issue.

It also showed that 64 per cent felt the West should make limited concessions to encourage the Soviet Union to resume arms negotiations.

However, Mr Heseltine accused the television company which had commissioned the poll of "re-orga-nising the poll figures." On the ba-sis of the arms talks which broke off only two weeks ago, 60 per cent of people supported cruise, be said. Mr Heseltine accepted that the collapse of the talks made his task more difficult but insisted that to

act on the poll's findings would lead to "government by opinion poll." Defence and deterrence, Editorial comment, Page 12; Lessons of "The Day After," Page 13

## revive UK gas gathering project

support for a £1.5bn (\$2.15bn) gas gathering pipeline in the British sector of the North Sea will be

Gaffney, Cline, the energy consultants have spent several weeks making private presentations to 20 oil companies. They have now set a have a contingency plan if it is deadline of next weekend for a deci-forced by the panel to raise its bid before it has fully decided its next to revive the gas gathering concept should go ahead.
At the same time, Mr Alick Bu-

chanan-Smith, the UK Energy Minister, bas been telling the oil companies informally that he is in favour of a gas gathering initiative, although be also insists the development is a matter for the private sec

The Gaffney, Cline blueprint is for a 250-mile pipeline, linking the Bruce, Brae and T-Block develop-ments to the St Fergus gas termi-nal. A short spur south of T-block would connect with a number of smaller fields.

The gas gathering scheme, aban-doned in 1981, when the Treasury successfully outmanoeuvred Mr David Howell, then Energy Secretary, was for a 420-mile connection, running well to the south and north of the Gaffney, Cline pipeline. The Howell pipeline was costed at \$2.7hn, but was opposed by the Treasury because 30 per cent of the money would have come from stateowned British Gas.

companies that several changes since 1981 have crucially improved the economics for a pipeline.

The most important is the con sultants' judgment that a 50 per cent increase in the volume of exploration wells drilled since then has established 10 to 14 trillion (million million) cubic feet of gas and 500m barrels of gas liquids within the radius of the proposed line - to-tal reserves equivalent to those believed in 1981 to lie within reach of the much longer pipeline.

gaining position with British Gas and the price they can expect for supplies have always been crucial to any pipeline investment equa-

uncertainties. Some oil companies prefer simply to develop their own gas lines; others believe that the line from Sleipner can be used as a core for a future network.

## Vickers talks

Continued from Page 1 tive, would be in London this week.

It is understood, however, that the visit was planned months ago and

Massey-Ferguson said it was well known that widespread talks about the future of Rolls-Royce Diesels and of the structure of the industry

ever, has been kept in touch on the progress of the talks, although it has not been a party to them and has apparently made clear that any agreement is strictly between the parties concerned.

Rolls-Royce is thought to manu-

# Plan to

made this week.

Gaffney, Cline bas told the oil

Other factors are the improved tax position of shared pipelines since this year's Finance Act and the freedom now available to gas Enterprise Act) to sell supplies di-rectly to customers other than Brit-

tion.
With British Gas currently negotiating in a range between 27p and 34p a therm for supplies from the Norwegian Sleipner gas field, Gaffney, Cline argues that the economics of a pipeline are highly favour-

## Massey in

is not specifically designed to conclude a deal with Vickers

had been taking place. It was unable to comment on the prospects of a purchase by the Canadian-based group. The British Government, how-

facture about 6,000 engines a year.

## Falling into the tender trap It has been a miserable month for the tender. Offers for sale by Cable

and Wireless, Dataserv and VG In-struments have all been substantially undersubscribed at the minimum tender price, leaving the underwriters to honour their commit-ments. While none of these tenders flopped as disastrously as the Britoil offer, taken together they were no advertisement for n method of selling equity which, over the past year or so, has become the accepted

A string of failures is particularly unfortunate as it threatens to discredit a mechanism which, in volatile markets, has considerable inberent advantages over the traditional fixed price offer. In a tender, the vendor is still guaranteed through the underwriting process, a specific cash sum. The market, neanwhile, is in a position to place its own value on the equity, while the fact that a striking price is agreed at the last minute should, in theory at least, prevent the offer

from being overtaken by events. The fault in many recent tenders

lay not with the machinery itself,

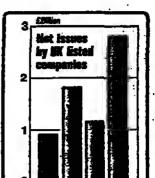
but with the engineers. The tender is rarely of much val-ue in secondary offerings. When an established market in a security already exists, it seems ludicrous to go through all the rigmarole of creating another one. For funding exercises like the recent BP and Cable sales, much the most satisfactory route is a placing with institutions. The cost is considerably lower, the discount to market value should be acceptable to the Govern-ment and the risk of embarrassment is substantially less.

Private investor

Yet the principal problem with the Cable sale was not the tender itself but the Treasury's determination to enjoy the best of all worlds, Even leaving aside the disappointing performance in the after-mar-ket, the BP tender effectively soured the private investor for whose benefit the tender had purportedly been laid on. The minimum tender price in the

price, applicants were temporarily deprived of interest on their cash by the immaculate official cheque able of all, the striking price was serv and VG Instruments, which tranches of equity in blue-chip Britfixed at a premium to the market. When the Government looked set tiple, the minimum tender price is unattractive to domestic institu-to turn in a repeat performance already implying a very rapid rate tions, and perhaps even to the Gov-

with Cable, the stags stayed away of profits growth.



THE LEX COLUMN

withdraw their applications and pick up shares as underwriters in-

easy to resolve. There is no earthly reason why an offeror should set the striking price of his shares so low that the stags are guaranteed a bandsome profit. Yet, if the private investor believes that be will be able to pick up equity as cheaply in the secondary market, he may be dissuaded from subscribing at all. In that instance the institutions

will be inclined to keep their own applications to a minimum in the knowledge that, as underwriters, they will be allotted shares at the minimum price. Since they bave entered the underwriting syndicate in . the first place, they are presumably happy enough with that price and their only risk is in ending up overweight in the shares. Yet, in an equity market as institutionally fees of 1% per cent provide a fair protection against any losses on dis-

In a case of this kind, the purpose of the tender - to enable the market to establish a price - will have been defeated. Neither the big institutions nor the smaller investors will have applied for - or been allotted stock at a price which they were realistically prepared to pay. This situation has arisen in large

case of BP was set at a narrow disfar too high. Instead of providing a count to the prevailing market last-resort safety net for the issuer, it has been seen as a base level very sibility before long. close to the likely realisation price. are offered on a high earnings mul-

stead set at a substantial discount to the likely sale price, the chances of attracting subscriptions at a variety of prices will be considerably enhanced. The main stumbling block is clearly the vendor, whose principal priority is to limit his downside risk.

#### Underwriting

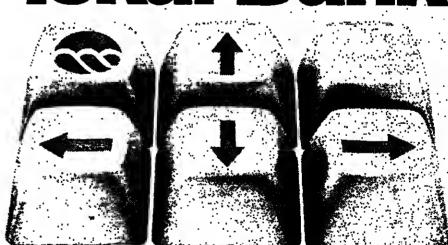
That obstacle is unlikely to be removed so long as underwriting com-missions are regarded as a fixed fee for services rendered. In practice, they represent an insurance prem-ium for the vendor and an option on equity investment for the underwri-ters. There seems little reason, therefore, why institutions should not accept a lower fee for what, in the case of n deep discount, is evi-dently n smaller risk.

The vendor, meanwhile, would be trading a greater ultimate risk for a lower premium. As a bonus, however, the chances of his shares being sold at a minimum tender price bearing little relation to actual demand would be considerably diminished, not least because the smaller underwriting cover would encourage institutions to apply for shares. Few offerors would feel coura-

geous enough to challenge the whole of the City's underwriting establishment for the sake of a single issue. The one vendor with sufficient muscle and vested interest to do so - and to dispense with underwriting altogether for that matter is the Government. The Treasury will presumably be anxious to take dominated as London's, that risk is no chances with British Telecom. not great and the sub-underwriting but there seems little reason why it should not negotiate underwriting fees with, for example, Enterprise Oil, Any saving on underwriting could usefully be applied to television advertising, in the cause of broader share ownership.

Tha City must in any case be aware that the present underwrit-ing system is under threat. No institution has yet developed the combination of capital resources and plac-This situation has arisen in large ing power needed to buy the whole measure because the minimum tender price itself has often been set tribute itself. The current spate of business combinations in the City. however, make that a realistic pos-

The prospect of foreign securities rouses bidding competitively for ish companies must look extremely ernment itself.



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## World Weather

#### U.S. pressed on aid Continued from Page 1

contracts placed by countries re-

ceiving loans from the parallel Herr Helmut Kohl, the West German Chancellor, has written to President Reagan stressing

the importance of a higger U.S. contribution. Mrs Margaret Thatcher, the British Prime Minister, is being urged by Commonwealth leaders to make a similar personal initiative to bring her influence to bear on Washington.

At the Paris meeting at the weekend, the U.S. delegation, led

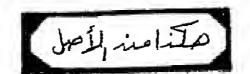
by Mr Marc Leland, Under-Sec-

retary at the U.S. Treasury, made

clear no less than four times that Washington's position on IDA was not negotiable. The U.S., which is holding out

to contribute only 25 per cent of the agency's resources, against 27 per cent during the previous three-year period of IDA funding, wants to pay only \$750m n year over the next three years.

This compares with \$1bn sought by the other nations and the World Bank, and \$945m which has actually been authorised by Congress for IDA funding during the past two fiscal





## SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday December 12 1983



INTERNATIONAL BONDS

#### Banks still major force in floating rate note market

BY MARY ANN SIEGHART IN LONDON

floating rate note market. As one new issue manager put it. The banks are rushing in to lend money to people who are saving money by

ly risk-free way of building up their of % point was slightly more gen-balance sheets in a world where erous than on some recent issues.

Now non-bank horrowers have found that it can be cheaper to raise money through an FRN than to borrow directly from banks. Hydro-

BHF B	ank bond a	verage
Dec 9 98.155		Previous 98.233
High	1983	Low
182.017		97.899

er oo Thursday at an all-in cost of 0.225 per cent over the six-month London interbank offered rate (Libor) for 10 years, which it will use to repay bank debt costing 0.50 per

Hydro-Quebec may bave paved the way for more non-bank, nonsovereign borrowers in the floater. sectors. But they may have to wait until more non-bank investors en-

Some fund managers are already using it far cash management as an alternative to putting spare money in certificates of deposit. But the fact that Hydro-Quebec had to pay more generous terms on its iss Creditanstalt-Bankverein shows that banks must still be the major investor force. In the fixed-

A VERITABLE merry-go-round is tors, Hydro-Quebec might well have got away with finer terms than Creditanstalt. In the floating sector bank investors prefer to buy paper from their fellow banks.

The Creditanstalt deal also or to put it more simply: banks could be squeezed without arrecting are the major investors in FRNs. the performance of the bond. Total the liquidity of the particular front-end fees were only % per cent erous than on some recent issues. good credits are increasingly hard The bond was very warmly re-to find. per cent discount.

Last week saw some activity in the sterling bond markets with a £25m Eurosterling bond from Commerzbank and a £40m domestic debenture from Elf UK. The former was not a great success, launched into a market where sterling was sliding and gilts were weak.

The Elf issue was more interesting for two reasons. It had an eightyear maturity, compared with the usual 25 or 30 years for UK domes-tic bonds, and Elf had to pay a premium of at least % a point over the equivalent cost in the Euroster hng market.

Today should see the launch of a £50m bulldog bond from Spain. It will have a five-year life and will be priced by Samuel Montagu to give an expected yield of about 0.90 per cent over the equivalent five-year gilt £30 per cent is to be paid now and the balance in March. Spain bas been considering a sterling bond for a long time, but previously thought both margins and absolute rates were too high.

Secondary markets in fixed-rate bonds showed signs of Christmas slackness last week. Prices fell in dollars, D-Marks and Swiss francs, with the biggest losses in Germany,

**CREDITS** 

## Rush to complete loan for Brazil

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BANKS ARE now rushing to complete Brazil's \$6.5bn toan in time for a first disbursement before the end

Prof Antonio Delfim Netto, the Planning Minister, and Sr Affonso Pastore, central bank governor, are visiting Spain and the Middle East to rally banks that have not yet subscribed to the credit. The International Monetary

Fund has meanwhile reassured bankers that a parallel package of \$2.5bn in loans from governments is in place. The government pack-age is a precondition for any dispursement of the bank loan.

Later this week, the advisory committee of leading creditor banks, which is chaired by Citibank, will meet in New York amid expectations of a decision on disbursement. Brazil needs the money before the end of the year to eliminate debt interest arrears of more

Leading creditor banks still, bow

ever, still display extreme distaste for more bridging finance. If the disbursement schedule cannot be met, Brazil may therefore simply be left to reduce its arrears to less than the critical 90-day mark. That could be dooe from the country's existing resources, includ-

ing the \$1.6hn being made available today from a previous bank loan. Mexico, meanwhile, begins talks today with its leading banks oo a new loan af \$3.5bo to \$4bo to cover its needs for 1984. Margins on the loan are expected to be lower than on this year's \$500 credit, but Mexico is also believed to want a longer maturity of 10 years, with repay-

ments beginning after five years. That would belp the country to

than \$2.5bn, but the schedule has avoid piling more repayment bur- small cut in margins, but one area become tight, prompting specula-tign that bridging finance will be needed. dens on to a debt profile that is al-tign that bridging finance will be ready bulging with maturing loans in the second balf of this decade.

The Yugoslav National Bank has about \$700m in freely available for-Last week, Yugoslavia's leading creditor banks agreed in principle eign-exchange reserves and is foreto refinance some \$1.6bn in medium and long-term debt falling due next casting a current-account balance of payments surplus of some \$860m year. That depends an Western gavnext year, compared with a deficit ernments also being prepared to refinance about \$600m in maturing of \$300m this year. Creditor banks reckon that means the country should be able to do without any After this year's rather tortuous fresh loans, but the International negotiations between the banks and Yugoslavia, talks for refinanc-Monetary Fund is understood to be

keep op an arrangement for some ing 1984 maturities might go fairly new money in case the country's smoothly. Yugoslavia is expected to cash-flow is tighter than expected. ask its bank creditors for a tempo-Rather less progress was made last week on the Philippines' efforts rary freeze on repayments until the end of March to allow time for conto refinance \$2bo in debt maturing

ditions to be worked out. up to the end of 1985, as well as to Banks are already talking of a secure the extension of about seven-year refinancing instead of \$3.5bn in trade credits and new this year's six-year maturity and a money totalling \$1.6bn.

Average Margins Paid

banks were again adjourned in mid-week to allow the country more time for talks with the IMF and government creditors. The U.S. and Japan are expected under the Philippines programme to provide about \$600m in official finance,

Elsewhere, the fact that margins are beginning to drop for top-rated borrowers was shown yet again last the credit might be helped by a pot-week with the I0-year, C100m credit ential scarcity of Irish paper next being led for Ireland by Allied Irish year.

12

and Lloyds Bank International. Lenders will receive interest at a margin of \* per cent over sterling money-market rates for the first three years, rising to ! per cept thereafter

Some bankers regard those terms as too fine for Ireland, which 5200m in a temporary bridging is not generally regarded as quite such a strong credit as France or Sweden, but there is already keen interest at lead manager level and

12,000

11.000

Load Manager

UBS

Price

100

Dec 9		Previous
98.155		98.233
High	1983	Low
182.017		97.899

cept over Libor far seven years.

rate market, where bank names have gone out of favour with inves-

	CURRENT INTERNATIONAL BOND ISSUES												
Bostowers	Amount	Maturity	Av. life years	Coupon	Price	Leed Manager	Offer yield No	Borrowers	Amount m.	Maturity	Av. I year		
U.S. DOLLARS		LC.						Iwatsu Bectric **\$	50	1989	_		
Brown Boveri S	60	1225	12	414	180	SBCL CSFB, UBS Secs.	•	Daiwa Banchi ** ¶	50	1989	-		
IADB ††‡	288	2008	25	121/4	99.30	Salomon Bros.	12.341	STE Fig. 1	1000	1394	-		
Creditanstalt 11	188	1994	10	<b>1/1</b>	198	Morgan Stanley, EBC, CSFB, Semi. Montagu, SBCI	_	Eli Lilly Fin I	1000	1994	-		
Hydro-Claebec 1‡	200	1994	10	1/1	108	CSFB	-						
D-MARK								STERLING					
Arrea Intl. 1	100	1991	8	81/4	100	Deutsche Benk	8.258	Commercianik ‡	25	1990	5. <b>D</b> 4		
South Africa 1	200	1991	8	81/2	99 Ve	Septecia Back	8.534						
MEGAL 1	158	1994	91/2	81/4	9914	Dresdner Bank	8.364						
SWISS FRANCS		100						NOR. KRONER			_		
Chogai Pharm. **5‡	188	1988	_	254	180	SEC	2.825	Eksportfinans ‡	200	1989	5		
Meij Seiku "*51	100	1989	_	25/2	100	SBC	2.625						
Oktoba Machinery **§†	50	1989	_	25/4	100	Baue, Morgea Greefell en Suisse							
Lion Corpn. **§1	58	1988	-	234	108	CS	2,750	ECUs	-0				
Toke lac. **\$1	35	1989	-	23/4	199	CS	2,758	EEC ‡	50	1993	61/2		
Kiris Brewary **\$1	100	1989	-	21/2	100	UBS	2.589	Soc. de Dev. Regional	20	1990	5		
Brother lads, "51	50	1989	_	21/2	100	UBS	2.500	Soc. de Dev. Regional	20	1995	10		
Genze Sangyo ** ¶ ‡	20	1988	_	4	100	Swiss Volksbank	4,090	EB ‡	50	1889	5		
Hoxan Corpn. **51	28	1389	_	274	100	SBC	2.750						
SCN 1	109	1993	_	574	108	CS	5,750	EXB ‡	25	1999	11.5		
Naka Inds. ** 1	10	1988	-	£1/s	100	Bank Lan	6,125						
Elec., Power Davt, Co. 1	100	1993	-	55/4	981/2	195	5.692						
World Bank **1	390	1989	-	57/4	100	SBC	5.750	YEN					
Takyo Sanyo **§	150	1989	_	27/2	100	SBC	•	KEPCO "T	Shri	1990	6.4		
Kuraba buls. ** 4	50	1989	-	22/2	190	rs	•	Sweden †	200m	1993	9		

7.886 Not yet priced. 1 Final terms. " Place end. § Convertible. † Floating rate note: coupon is spread over 6-exonal: Liber, "I With warrants. Ø Minimum. | Dual currency issue repayable in dollars. 💢 Registered with U.S. S.E.C. Note: Yields are colculated on AIBO basis,

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November, 1983

Can. \$50,000,000

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November 30, 1983

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## Bears fear that Fed cannot prevent rising rates

another hattering last week interest rates but be declined to despite — or in some cases speculate on the future course

because of — what a veritable bevy of administration and Fed officisls, together with a fair sprinkling of Wall Street's gurus, bad to say.

Their views, which rarely coincided, swept through an already tethsrgic market like a whirlwind with nowbere to go. At the end of the week the lone bond was a points lower. long bond was a points lower at 100 H to yield 11.89 per cent. This despite the hetter than expected money sunnly numbers which sparked another half-besrted rally lifting the long bond from a five month

The relatively miserable state of the markets reflects a number of factors, including year-end pressures. But more importantly, like the speechea, it also

U.S. INTEREST RA	TE5 (*	)
W	leek to Oac 9	Weak to Oac 2
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AA Industrial	s, (aeti er 30, in No 176bn	mates) Mt tol ovember and Mi

reflects the current sharp debate about the course of the economy, interest rales and Federal Reserve Board policy. The debate is taking place in an increasingly beated political environment — wimess the latest House Committee attack on Paul Volcker and Fed

secrecy."
A lhimble-sized guide to the views of a few of last week's major particlpants looks like

Mr Paul Volcker, the Fed chsirman, first reassured and then on reflection confused the markets by saying there had been no "major" change in Fed

policy. Fed Governor, Mr Henry Wallich, said a reduction of \$100m in the Federal hudget deficit would bring long-term rates down by 150 poins. In contrast Mr Donald Regsn, the Treasury Secretary, sald budget deficits were only one factor

THE U.S. credit markets took hehind the current high level of

of rates.
Mr Alhert Wojnilower of First Boston was less hesitant, dealing the markets a body blow by warning that the nature of the recovery is bringing the prospect of overheating ever closer and adding that he ex-pects a gradual increase in interest rates followed by a "much higger" Increase.

Mr Preston Martin, the Fed's vice-chairman, rounded off the week by telling the markets
they were paying too much
attention to the weekly money
supply numbers. Mt. he said
is playioe "a minor role" lo
determining Fed policy.
What the markets detect be-

hind the words is that the nace of the recovery and the political atmosphere in the run-up to the Presidential elections could have the Fed wedged between the proverbial "rock and a hard place."

While views sbarply differ— and timing is seen as being particularly crucial — the bears on Wall Street have one current nightmare that runs something like this. If the economy over-heats and the Fed does nothing. sooner or Isler inflation and long-term rates will rise. If the Fed eases, ioflation fests will be rekindled—pushing rates higher — and, if the Fed firms to slow the economy, rates could move bigher anyway, at least

in the short term.

Next week brings another rash of economic statistics in-cluding November retail sales today and the producer price index and housing starts on Friday. These figures will be closely watched because of the perception that the Fed's policymaking Federal Open Market Committee will have the economy particularly in mind when it meets a week tomorrow. Meanwhile the temporary luli in Treasury auctions is coming to a close. On Wednesday the Treasury is expected to announce the auction of \$8bn

In two-year notes for sale on December 21 followed by the

announcement on Friday of the

auction of \$8bn of one-year

Paul Taylor log beadquarters). Mr Dickin-

## BHP forms trust to aid **Queensland coal venture**

A\$341m 1US\$307m) take-over offer for Umal Consolidated.

Umal owns an important stake in the Queensland coal mine BHP is acquiring as part of its US\$2.4bn acquisition of the Utah Interoational resolutions.

It now appears that owner.

Mr Ellioli said he was "delighted" with the float, which would "hring Australis into the 20th century when it comes to money."

Cub owns 49.4 per cent of the Utah Interoational resolution.

Bources group from General Electric of the U.S.

Under the nlan, which has Umal's blessing, the trust will hold up to 22 per cent of the consortium BHP is forming to handle. Utah's Oversland Utah's Queensland Non - Australian resource

ever hy an Australian company—has already been arranged.

Australia's decision to float the dollar from todsy may well have been precipitated by Thursday's application by Elders-IXL to bring A\$700m into the country. Mr John Elliott, Elders' managing director, said yesterday that his company had applied to the Reserve Bank of Australls to bring In the money to heln fund its A\$930m takeover hid for Carlton United Breweries (CUB), the country's largest hrewer.

On Friday, foreign currency sssets being accoursed in the Utah deal will belong wholly to BHP. For tax reasons, Umal has been uoder pressure from aome sharehotders—led by merchant bank BT Australia—to trans-form liself into a trust for some

BHP will offer Umal shareholders 310 A\$1 units in the new Queensland Coal Trust for every 100 Umal shares beld. If every 100 Umal ahares beld. It acceptances reach 90 per cent the offer will become 320 units per 100 shares. The offer values each Umal ahare at A\$3.10, against Friday's closing before the authorilles an-

INGENIOUSLY, Broken Hill price of Al2.70. The offer is nounced that the local dollar

launched an on-market buying spree, at A\$3.82 per CUB cent, and the Australian Mutual
Provident Society, 7 per cent.
The latter two already hold similar stakes in the existing Utah coal consortium.

Lanched an on-market buying spree, Bt AS3.82 per CUB share, following an earlier offer of six Elders shares plus A\$12.20 cash for every 10 CUB shares.

easily the blggest acquisition ever hy an Australian company —has already been arranged.

By the close of trading on Friday, which saw a record national sharemarker transport per cent of CUB.

Elders is expected to gain forms! control of CUB early Yeslerday, breaking more than a week's silence, Mr Elliott spoke of a "friendly merger" between CUB and its former subsidiary.

CUB's management bss been criticised for not reacting to

Elders' foray, but vesterdsy's remarks by Mr Elliott made it clesr that a merger had been on the cards for more than a

#### Bulldog bond for **Trinidad** and Tobago

Trinidad and Tobago is planning to launch a £50m fiveyear bulldog bond on ths British market early in the new year, Mr Kenneth Valley, a senior Finance Ministry official, said in London over the weekend.

Mr Valley said he hoped to obtain a margin of between 125 and 150 basis points over the equivalent gilt-edged stock for the borrowing. This com-pares with the 90 point margin expected on today's £50m five-year issue for Spain.

The Trinidad issue is, however, already somewhat controversial as the Bank of England tends to frawn on the pre-announcement of issues in the buildog market. Trinidad is not particularly well known to bond investors, but government officials are boning that the market will recognise the country's economic record.

Although Trinidad's foreign exchange reserves have fallen this year, they still atand at about \$2.5bn which represents 10 months of imports.

## Credit extension for **Eastern Airlines**

BY TERRY DODSWORTH IN NEW YORK

37,500 workforce, with the pilots, who currently earn up to \$105,000 a year, dropping by 22 per cent

per cent.

This settlement has apparently persuaded the company's 67 lesding institutions that it should be able to pull back into profits over the next 12 months. "They had refused to grant us further waivers on our loan covenants unless we could show that we should not lose money next year," the company said. In the first mine months of this year Eastern lost

\$129m.
In addition, the airline has received the go ahead from a consortium of French and West German hanks for the delivery of four European Airbus A300s, which were being held up pendiculations.

EASTERN AIRLINES, the financed with export credits, EASTERN AIRLINES, the financially troubled U.S. carrier, has reached agreement on the extension of credit lines from its major bankers following its pace-setting wage reduction package which is expected to slash costs by around \$370m text year. pay reductions of 18 per cent the last 12 months it has been for most of the company's beavily dependent stitutions, including a \$400m facility from a consortium of 28 banks, which bave now

agreed to continue their support. The contract with the unions will have in go to shareholders for approval since it also in-volves a heavy dose of worker participation. In recompense for the salary handbacks, the workforce is to be given new shares which will eventually amount tn 25 per cent of Eastern's equity, making the employees the biggest voting

At the same time, the union has won concessions on worker representation on the Board of four European Airbus A300s, and in key management deciwhich were being held up pending the reorganisation. Purchase
of the aircraft, which is part of
a wider ranging upgrading of
a wider ranging upgrading of
Eastern's fleet, is being largely

and in key management decislom making. However, shareholders, who have not received
dividends since the late 1970s
are expected to concur in the

marcial.

destrict

m effet

#### Restructuring at ANZ Bank

ANZ BANK has made some ANZ BANK has made some major changes to tts executive structure. Mr A. G. Kilpatrick, at present chief general manager and a director, becomes deputy managing director. Mr W. J. Bailey and Mr R. A. D. Nicolson become chief general managers—Mr Bailey will he responsible for domestic banking and management services and Mr Nicolson for corporate and Nicolson for corporate and international banking and Esanda. ANZ is upgrading its lop posts in New South Wales and Mr B. B. Dickinson, geograf. and Mr B. Dickinson, geoeral manager funds management, will assume leadershin of its bankine operations there as general manager New South Wales. He will be supported by Mr R. C. Taxford as assistant general manager domestic bankgeneral manager domestic banking (returning to New South
Wales from state manager
Western Australis) and Mr R. N.
Fenton as assistant general
manager corporate hanking

(from the hank's corporate bank-

and soon. ANZ is establishing a division under the leadershin of Mr D. (Jim) Nicolson, general manager hranch banking, to incorporate its fund management function and to care for its expansion into the broader area of financial services. Mr. area of financial services. Mr Nicolson will be general manager

Mr James J. Verrant to the new position of associate groun vice-president, information systems international, from January 1. Mr Verrant will have responsibility for all information systems operations in Canada, Mexico, Australia and the Far East. Mr Verrant is vice-president and general manager of Honeywell's process management systems division in Phoenix, Ariz., a position he bas held since 1980. Mr Edward T. Hurd will succeed Mr Verrant as vice-president sod general manager of process management systems division. Mr Hurd, who is currently vice-president of marketing for the division, has been with Honeywell since 1962.

#### INTERNATIONAL APPOINTMENTS

son will reptace Mr A. G. Wittshire, assistant general manager and state manager, who is retirated more and state manager, who is returned by the state manager by the state manager, who is returned by the state manager by the state manager, who is returned by the state manager, who is returned by the state of Man.

Mr A. J. Lawrence becomes the state of BOOZ ALLEN AND MCLENNAN COMBARSH AND MCLEN research and development, and manufacturine engineering for Sikorsky, a United Technologies

● NATIONAL CAN CORP chairmsn Mr Robert Stuart is resigning, hut will remain chairman of the finance committee and a member of the executive and corporate development committees. Chief executive officer and president Mr Frank Considine has taken on the additional position of chairman.

MASSEY-FERGUSON has anpointed Mr Maurice Strong, chrairman of Caosdiao Development Investment Corp, a director, He renrescots the Canadian Government. The Canadian Government has had the right to elect a director to Massey's board since its 1981 agreement with the company, but has not chosen

North Americs. He is based in the New York office.

The Bank of England has seconded Mr Robin P. Webster to the BAHRAIN MONETARY agreement to the BAHRAIN MONETARY affairs, initially for two years. He succeeds Mr J. E. Noakes, who left Babrain Bt the end of A management rehuffle is

Mr John R. Dowdle, senior vice-president of BOOZ ALLEN AND HAMILTON, has been named regionat manager of the company's Middle Eastero operations. Mr Dowdle, formerly Booz Alleo's Western U.S. regional manager, will be responsible for operations in Saudi Arabia, the Guif, the Near East, Egypt and Pakistan.

Mr Christopber J. N. Robinson Mr Christopher J. N. Robinson has been appointed sentor vice-president of REED STEN-HOUSE INTERNATIONAL INC, a division of the International insurance brokerage company Reed Stenhouse Inc. Mr Robinson serves as foreign brokerage manager, with responsibility for the development and U.S. coordination of multinational accounts headquartered outside North Americs. He is based in

• Mr Donald J. Selinger, who served for 16 years with Chemi-cal Bank, has been appointed general manager of BAHRAIN INTERNATIONAL BANK (BIB) in succession to Mr Yves
Bernard BIB is an offshore hank
launched in Bahrain last year
by a group of predominantly
Kuwaiti investors. It is capitallsed at US\$180m.

AL-UBAF ARAB INTERNATIONAL BANK, based in
Bahrain, has appointed Mr Patrick Mason its general manager
from January L. Mr Mason is
deputy general manager of
UBAF Bank in London. Mr
Abdel Latif Benani, who set up
the Bahrain OBU as the 100 per
cent Arab-owned member of the
UBAF Group, has been appointed

deputy managing director for corporate finance at the bank's Bahrain OBU, Mr. Karim Helal, managing director of Arab Asian ponsibility for a new venture, International Financial Services Group SA.

• TRANS-ARABIAN INVEST-MENT BANK (TAIB) Bahrain, has promoted Mr David Carpita newly-formed Gulf division, with responsibility for all lending and syndication activities within the Gulf Co-operation Council (GCC) states. Mr A. Scott Johnson has joined TAIB from First Bank Minneapolis to co-ordinate the business generated from the investment bank's offices in New York, Cairo and Hong Kong and

#### FT INTERNATIONAL BOND SERVICE

This announcement appears as a matter of record only.

#### **ASSOCIATES CORPORATION** OF NORTH AMERICA

U.S. \$400,000,000

Revolving and Term Loan Facility

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Merrill Lynch Capital Markets

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Bank of Ireland Kredietbank N.V.

Credit Suisse

Westdeutsche Landesbank Girozentrale Bank of Montreal

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Crédit Lyonnais National Westminster Bank Group

Banque Nationalé de Paris

**Banque Paribas** Nederlandsche Middenstandsbank N.V.

> Union Bank of Switzerland Interfirst Bank Dallas, N.A. Bank für Gemeinwirtschaft AG

Daiwa Bank Trust Company NCNB National Bank of North Carolina Texas Commerce Bank National Association Société Générale

Agent Bank

Merrill Lynch International Bank Limited

December 1983

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The Financial Times Ltd., 1983. or in part in any form not pers

EUROBOND TURNOVER 5,294.2 9,813.3 4,610.8 10,511.3

Other bonds Previous week

 No information available previous day's price. † Only one market maker supplied a price. STRAIGHT BONDS: The yield

is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=
Change over price a week Change earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date
next coupon becomes effective.
Spread=Margin above six-month
offered rate (‡ three-month;
\$ above mean rate) for U.S. rate (‡ three-month;
mean rate) for U.S.
C.cpn=The current
C.yld = The current

CONVERTIBLE BONDS: De-nominated in dollars unless otherwise indicated. Chg.day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Per-centage premium of the current rate nxeu at 1850e. Frem=rercentage premium of the current
effective price of acquiring
shares viz the bond over the
most recent nrice of the share.
The list shows the 200 latest
international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Krediet-hank NV; Credit Commercial de France; Credit Lyonnais; merzbank AG; Deutsche AG; Westdeutsche Lande AG; Westucutale; Banque Generale din Luxembourg SA; Banque Internationale Luxembourg; Krediethank Luxembourg Algemene Bank Nederland NV Piersoo, Heldring and Pierson Credit Suisse/Swiss Credit Ban Bank of Switzerla and Smithers, Bank Akrovd Tokyo Chase Ma International Europe NV; EBC; First Chicago; Goldman Sachs Inter nstional Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley Inter-national; Nomura International; Montagu and Co.; Scandinavian Bank; Societe Generals Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and

علد امند لأصل

## Record USM share offer values Synterials at £25m

BROKERS James Capel are lannehing the largest ever offer of shares on the three year old Unlisted Securities Market, by

Technovation produces indu rial componants from synthetic materials ("synterials") using what it terms "a flexible manu-facturing system" and its own material and design technologies.

Commercial

& Industrial

£1.4m offer

#### **BOARD MEETINGS**

of shares on the three year old Unlisted Securities Market, by offering for subscription 20m financial in Synterials.

The company has been formed to acquee the Dutch business. Technovation for £44m and the whole of Synterials will have a market value at the offer price of £24.9m. The costs of the issue will amount to £1.3m.

Technovation is a greenfield venture, having never made a profit, while turnover over the past three years totals no more than £114.000. Over the same period the company made pre-tax losses of £4.24m.

The following companes heve notified dates pi board meetings sm usuelly beid for the purpose of the Such enderge. Such meetings sm usuelly beid for the purpose of considering dates pi board meetings sm usuelly beid for the purpose of considering dates pi board meetings sm usuelly beid for the purpose of considering dates pi board meetings sm usuelly beid for the purpose of considering dates pi board meetings sm usuelly beid for the purpose of considering dates pi board meetings sm usuelly beid for the purpose of considering dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of the purpose of the past for the purpose of considering dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of considering dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of considering dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of dates pi board meetings to the Suchenge. Such meetings as usuelly beid for the purpose of dates pi board meetings as to the Suchenge. Such meetings as usuelly beid for the purpose of the such meetings of the surfled to the such end for the purpose of the such meetings as usuel

offer is correctly timed is another matter. Order book projections of £10m are tantalising, and the applications of Synterials' technology are potentially enormous. But the risks specified in the prospectus are worth reading carefully, particularly that point-The complexities, both legal are financial, of offering £20m in out that Synterials owns no worth of shares in a new centure with no profit forecast, must have been nightmarish. That goes been better if the old company some way to explaining the whopping £1.3m costs of tha issue. Whether the Synterials from its institutional backers

so as to delay its Stock Exchange debut until some of those indicacated £10m further production It is, British investors ahould have learnt aome healthy acepti-cism—if oo more than that—of foreign based new yentura companies seeking a UK quote. How-ever the well known husiness names on the Synterials hoard suggest that a lot of reputations have been staked on the com-pany justifying the faith of its

Finals

Jehnson end Firth Brown .... Dec 16
Stekin ....... Dec 15
United Scientific ...... Oec 16

Commercial and Industrial Securities (CIS), a private unlisted company with interests in contracting and shopfitting, leisure, and engineering and packaging, is making an offer worth the equivalent of £1.4m for the capital of Ionian Investments, which holds cash deposits and investments and is a suband investments and is a sub-sidiary of Ionian Securities.

Preference and ordinary shareholders representing 82.6 per cent of the III. voting rights have irrevocably agreed to accept. The directors, on the advice of Sheppards and Chase, recommend the offers to shareholders. CIS intends to apply to join the USM or for a listing on the Stock Exchange.

Exchange.

The capital of III. is to be reorganised and then CIS will offer 40p cash for each preference share, and 18 ordinary shares, £30 nominal II per cent secured partly convertible loan stock 1990 with warrants, and £191.90 cash for every 1.000 ordinary III. shares, Furthar consideration may be nevable for sideration may be payable for the ordinary depending upon the outcome of certain litigation being conducted by III.

#### **Reliant Motor recovery** continues in opening half

THE RECOVERY seen at encouraged by the level of Reliant Motor in the second half demand for the vehicle during last year continued throughout the winter months when, tradithe financial year to September tionally, a fall off in sales is to 30 1983 when pre-tax profits were £176,000 against £207,700. At halfway, the company reported profits of £11,000 compared with losses of £84,000 in the corresponding paried last

sponding period last year.

Mr J. F. Nash, the chairman, says significant sums have been says signment sums have been apent during the year on the sports car development programme, and these costs have been written off before arriving at the profit force.

been written off before arriving at the profit figure.

However, be says the need to conserve resources for the future investment programme means that the payment of a dividend would be unwise.

Turnover for the year ing, if somewhat clusive market, the company will not underestimate the difficulty in breaking ipto the fleet market currently dominated by the major manufacturers.

India still remains a promising, if somewhat clusive market. The long established and now mature market in Turkey remains stable and is confidently expected to continue at existing levels in the immediate future, still relatively small although it is no longer trading at a loss. The potential for growth is real, even though trading conditions are competitive and difficult. Mr. Nash looks forward to further the control of the stady.

be expected.

He says the success of Rialto has been one of the major influences in Reliant's recovery and it will continue to make an

important contribution to the company's future. Fox production has been satisfactorily established and, although it is still early days to attrough it is full early days to judge its impact on the light-weight commercial vehicle market, the company will not underestimate the difficulty in breaking ipto the fleet market currently dominated by the major manufacturers.

Mathercourt Securities is range of three wheelers have Nash looks forward to further making the offer on behalf of remained ateady throughout improvement in this sector CIS.

#### Exco stake in U.S. broking venture ·

EXCO International, the mone broker and financial aervices group, is taking a 30 per cent atake in David Allsop, a small U.S. broking and fund management group, through 5 joint venture with British and Common wealth Shipping.

The joint venture company ln which the deal is being carried out is Financal and Investment Services Development Corpora-tion. British and Commonwealth bold'a 60 per cent of the shares and Exco bolds the rest.

Allsop specialises in U.S. defence and oil stocks and its after tax profits for the last completed financial year were S1m. Mr John Gunn, Exce's manag-ing director, said yesterday that the deal did not form part of Exce's "mainstream acquisition plans" and that major deals would be carred out "under the

Exco is still studying the fea arbility of creating is own deal ability of creating is own dealing unt by employing stockbrokers from member firms on the atockmarket following the breakdown in its discussions with Wood Mackenzle, the Edinburgh based stockbroker n which it was planling to acquire a 29,9 per cent stake.

#### Braham Millar

The substantial order book with which the Braham Millar with which the Braham Millar Group atarted the current year is reflected in the growth achieved in the first baif. In the period ended September 30 1983 this mechanical engineering undertaking increased its sales by 17 per cent, from £3.88m to £4.55m, and its profits by 30 per cent, from £159,000 to £207,000.

Trading in the third quarter

Trading in the third quarter continues at a satisfactory level, and the directors expect that a similar pattern will continue in the closing months of the year. For the year 1982-83 the pre-tax profit totalled £334,000 and re-flected a continuance of the group's recovery.
After tax £108,000 (£83,000),

net profit for the half-year comes out at £99,000 (£76,000), egoal to 0.8p (0.6p) per share. The interim dividend is being beld at 0.4p net—the previous year's final was 0.8p.

#### Casket growth

Lord Barnett, chairman nf S. Casket (Holdings), the cloth-ing distributor and retaller, told the annual meeting that, with profits to date were confirming his forecast of a healthy increase. In the corresponding six months to December 31 1983 six months to December 31 1983 the profit was £581,000, rising to £514,000 by the year end.
Dividend policy would be reviewed when the figures were available, but Lord Barnett said he was conscious of the patience shareholders had shown during the rebuilding of the company's profits, and he hoped they would be able to benefit from the

#### F.T. Share Information

company's upturn.

The following securities have heen added to the Share Infor-mation Service: Australia 111 per cent 2015 Intl Bk & O'Seas Govt Ster

Issues)
Coin Inds (Industrials)
Ediaburgh Fd Man (Trusts,
Finance Land)
European Assets Trust (Trusts)
Imtec (Electricals)
Laidlaw (Motors)
Lon & Midland Inds Defd (Industrials)

trials)
Night Hawk Res (Oila)
Oliver Prospecting (Oils)
SCA Services (Americans)
Telemetrix (Electricals)
Windsor Res (Mines Australian)

LADBROKE INDEX 744-749 (-6) Based on FT Index Tel: 01-493 5261

Issued and reserved for issue at 9th December, 1983\* 15,102,013

## 

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Expiration October 1,1984

Price 1.52 U.S.\$31%

Strike Price

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It does not constitute an invitation to the public to subscribe for or purchase any shares.

SCA Services, Inc.

Shares of Common Stock of U.S. \$1.00 par value

including 803,435 shares reserved for issue SCA Services, Inc. ("SCA") is one of the three largest waste service companies in the United States, providing its

services to commercial, industrial and residential customers throughout the United States. SCA's waste services

consist of the collection, recovery, transportation and disposal of solid and chemical wastes, and the treatment and

The Council of The Stock Exchange has admitted to the Official List all the 15,102,013 Shares of Common Stock

Particulars relating to SCA are available in the Extel Statistical Service and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including

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Deutsche Mark

Offering prices as at London's Friday close

#### Salomon Brothers International

1 Angel Court, London EC2R 7HS.Tel: 01-600 9171

## **Sheffield Brick loss** increases to £0.3m but outlook improves

LOSSES of the Sheffield Brick the balf year as exceptional Group increased from £123,000 to £299,000 for the first half of 1983, while external turnover of this which it is energetically attempt buildars' mercbant and ironmonger dropped from an adjusted £2.55m to £2.22m.

The directors believe that the

The losses were struck after lower interest payments of £54,000 (£66,000) and exceptional debits up from £55,000 to £116,000. There is again no interim dividend—the last payment was in respect of 1981.

However, the directors believe there are definite grounds for cautious optimism about trading in the second half, although they will be unable to recom-mend a dividend for 1983.

previous years.

The directors believe that the

menagement accounting systems in use during the early months of the group's position. Steps have been taken and continue to be taken, to improve the quality of accounting, they state. of accounting, they state.

In October the company sold
Parker, Wieder and Achurch,
which bad not earned an
adequate return since it had
been a member of the group.
Cash from this disposal will con-

tinue to be received over the next few months, and will strengthen further the rest of

Results for the first six months were disappointing, the directors say. The company has taken a harsh look at the provisions against debtors and included in

#### James Grant (East)

For the nine months ended October 31 1983 pre-tax profit of James Grant (East) rose from £298,000 to £408,000. The interim dividend is beld at 1.25p net (Scotland). per share, payable December 15. The company has closed all its

the group.

retail outlets with the exception of the retail and commercial furnishing contract division and travel agency. Profits continue to be derived

evenly throughout the year from property rental, investment income and commodity trading. The letting and disposal of closed shops continues at a satisfactory pace.

#### GrandMet buyouts

Grand Metropolitan is offering to buy up the preference shares not already owned in two of its subsidiaries, Gordon Hotela and Grand Metropolitan Hotels

For the outstanding 88.3 per cent of the 5.5 per cent prefer-ence of Gordon the offer is 77p cash, and for the 49.9 per cent of the 5 per cent shares of Scotland terms are 70p cash. The offers are intended to achieve administrative savings and to enable holders to dispose of their shares at a significant premium to recent market levels. Certain of the larger shareholders have indicated their intention to accept.

#### Jackson Ex. takes grip on expenses

A return to profit was experienced by Jackson Exploration in the third quarter of 1983, but for the nine months as a whole the company shows a net loss of \$13.62m against a \$742,049 surplus.

Net income, of this oil and gas explorer and producer, for the threa months to September 30 1983 emerged at \$217.961 against \$21,626 as a result of a cut in expenses offsetting a fall in revenue. Expenses for the period totalled \$2.4m (\$3.58m) and revenue was \$2.62m

•aet

## **BURGESS PRODUCTS** (Holdings) P.L.C

(Light electrical and occustical engineers) A Year of Considerable Change

Group Turnover(Loss)/Profit before taxation	1983 £ 22,695,000 (237,000)	1982 £ 22,648,000 801,000
(Loss)/Profit after taxation and extraordinary item	(534,000) 1.5p	573,000 3.5 <sub>P</sub>

#### Extracts from Mr. C. B. Cotton's Statement:-

The Group recorded a pre-tax loss mainly as a result of increased price competition. Cost reduction measures including sizeable redundancies were insufficient to compensate for reduced revenue and unavoidable cost increases.

The South Shields factory that housed Burgess Industrial Silencing Ltd., was closed due to increasing losses. The profitable product lines of the company have been transferred to Hinckley. Closure costs of ∠300,000 heve been entered as an extraordinary item. A £150,000 stock write-off for en unsuccessful Burgess Power Tool new product line was, in addition, entered as an exceptional

Mr. A. Hopwood, F.C.A., joined the Board es Group Finencial Director and Mr. J. W. Todd became an additional Non-Executive Director. Our Founder Mr. E. J. L. Cotton retired from the Board end wes appointed Honorary Life President. In eddition, our past Chairman, Mr. W. Riddell M.Sc end Mr. F. Fowler retired.

The new Board intends to concentrate on those companies that are currently profitable or can be so transformed expeditiously end to seek out new opportunities demonstrating profitable growth

Summarising existing operations:-

-Burgess Micro Switch's turnover end profic receded although the order book has improved substantially since the year-end. Sales and profitability of the American switch company improved substantially, whilst the Canadian company continued to be affected by the recession. It is enticipated that the German subsidiary should sustain its second-helf improved performence.

 Major organisational changes were introduced within Burgess
 Products and significant cost reduction exercises implemented.

 Increased investment in air filtration products is planned. -Burgess Architectural Products faced severe competition from overseas requiring keen pricing to maintain its share of the ceiling market.

---Action was taken et Burgess Power Tools aimed et transforming the company into a profitable operation.

The year has been financially disappointing but it has been one of considerable change in terms of new Senior Executives, new ideas and a will to succeed.

U.S.\$100,000,000

#### Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles) Unconditionally guaranteed by

#### CITICORP 4

Notice is hereby given that the Rate of Interest has been fixed at 102:5 per annum and that the interest payable on the relevant Interest Payment Dete, March 12, 1984, egainst Coupon No. 20 in respect of USS1,000 nominal of the Notes will be USS26.23.

December 12, 1983, London
By: Citibank, N.A. (CSSI Dept.), Agent Bonk

CITIBANCO

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based on prospectue estimates, d fividend rate pull or payable pn part o capital; cover based en dividend en (ull capital. g Assumed dividend en yield, u Forecast dividend cover based pn gravious year's samings. F Divident and yield based on grospectus or other official estimates for 1983, 1 Divident end yield based on grospectus or ether efficial estimates (er 1983-84. Q Cross and yield based on diospectus or other efficiel estimates for 1983-84. Q Cross. t Cover cliows for conversion of sherps not now reaking for dividend or ranking only for restricted dividende. P Figures or report ewelted. P Placing orion, p Penes unless otherwise Indicated. I I I I I I Soued by tender. I Offered to helders of ordinary sherpe as a "rights." "I I I Issued by way at capitalisation. SS Remarked and the state of the stat

#### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus') have been officially notified. Divideods to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

flate	Anneunce- ment last year	Date	Annpunce ment last year
ed Colloide Jan 12 oc Loisure Nov 30	Interim 0.65	*Lloyde end Scettish0ec 21	Finel 20
50C		*London Merchent	
wspecors Jan 12 ec Paper	Finele 6.6	SeruritiesOec 15 Megnet end	Interim 0.5
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y Mail end		FoodeBec 14	Finel 3.75
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y CarpJen 20	Interim 1.1	Scrty Inv TetJan 20 PRHPOec 12	Interim 0.5 Final 2.0
fillera nec 15	Interim 4.5	RHP0ec 12	Final 2.0
oneJan 20	Interim 1.45	ElectronicsJan 18	lateria 1.39
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RentaleJan 5	Interim 1.1667	SGAJan 17	Final 3.8
lieh Chine		Samuel (H.)Jen 10	Interim 1.5
Clays0ec 15	Final 5.2	*Scellish and	
Prop Inv Jan 16	Interior 2.75	Nwcestle arws Oec 14	Interim 1.5
oiherm IntniJen 20	Final 4.5	*StakisDec 15	Final 1.26
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ning Mater Jen 11		Issue since mede. ‡ Ter	ireo. 3 50
Markor Jen 11	Interior 3.75	issue eince made. 5 Feb	PCOPC.

#### Today's Rates 10½%-11% 3i Term Deposits Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid oross, half-yearly, Rates for deposits received not later than 16.12.83 are fixed

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2.669	Unileck Heldings	17	_	1.0	52	11.1	15.
11.092	Walter Alexander	87	_	68	78	7.5	10
5.788	W. S. Yeatee	248	1	17.1	6.9	3.a	7.

#### 12th December, 1983.

3rd January, 1984 from:

Authorised 35,000,000

incineration of chemical wastes.

of SCA issued and reserved for issue.

Ament Amster Ams

윘됈똣똣윉윘돢껿됈삠뿄똣똣찞윉쒖녆<sub>놁</sub>믮윉뽰쒖윉궦댬띥뛼냋윉뽰쐒찞캢묨냋휈쁙쁔뿄똮똣캮뚔섌긏똤뽰캶찞똣왞윉똣왞묏똣믔

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a-dividend also extra(5), b-annual rate of dividend plus stock dividend, c-hquidating dividend, cid-called di-new yearly with a characteristic control of the dividend declared of paid in 15th non-residence tax. I dividend declared after spfit up or stock dividend. P-dividend paid flus year, unimed, deferred, or no action taken at latest dividend meeting k-dividend sin arreats in-new issue in the past 52 weeks. The high-low range begins with the start of trading half or paid in preceding 12 months, plus atock dividend, s-stock split Dividends begins with date of split sk-cales. Individend paid in stock in preceding 12 months, estimated cash unlied on ex-dividend to re-dividend begins with date of split sk-cales. Individend paid in stock in preceding 12 months, estimated cash unlied on ex-dividend or ex-distribution date u-new veerify high, u-trading halted vi-in bankrupticy or recovership or being regarded under the Bankrupticy or recovership or being regarded under the Bankrupticy of recovership or being regarded under the Bankrupticy of recovership or being revenition with warrants x-ex-dividend or ex-rights radic-ex-distribution xin-without warrants y-ex-dividend and sales in tuil, yid-yield, x-sales in tuil. VF Cp
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TARMAC's building products adviser to the Drake & Scull division has appointed Mr David group board on November 1, Mona as managing director of 1982. the Metal Group, which includes the Brady Doors group of com-panies, and Mr Tony Withey becomes a group executive for the Trent Croup, which with the exception of the insulation companies, controls mainly operations outside the mainstream Mr Roger Adams joins the businesses. Mr Moon comes to board of WILTSHIER Tarmac from Ayrshire Metal INTERIORS on December 1 as Products, where he beld a number of managerial positions, latterly as managing director of Metal Trim and deputy group and Sons (formerly a subsidiary her of managerial bositions, responsibility for UK contracts. Interly as managing director of Metal Trim and deputy group managing director. Mr Withey assumes responsibility for ERP, Long & Hambly Pharmaceutical. Long & Hambly Plastics and Thomas Witler. He moves from Tel.FOS HOLDINGS has appointed Mr G. Rowtey a director.

He joined the company in 1970. PRUDENTIAL PORTFOLIO MANAGERS, investment arm of Prudential Corporation has made the following management appointments. Mr Michael Roberts has joined as an assis-Roberts has joined as an assistant director. Promoted to this newly-created position, from January 1, are Mr Michael Carter, Mr Christopher Cheetham, Mr Howord Soley, Mr John Cozens. Mr Graham Poulton, Mr Edward Francis, Mr Lawes Cox Mr Reion Firkland James Cox, Mr Brian Kirkland and Mr Richard Gawtharne.

DRAKE & SCULL HOLDINGS. DRAKE & SCULL HOLDINGS, engineering services group of Simon Engineering, has appointed Mr Raymond G. Barton, as financial director. Previously financial director of the operating companies from 1970, he was appointed financial

COMPANY METINGS—
Abaco Inv. Grost Latern Hotel, Liverpool
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Glavo, Park Lane Hotel, Piccadilly, W.
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Mr M. Victor Blank has been appointed a managing director of CHARTERHOUSE JAPHET. He Is head of corporate finance at Charterhouse Japhet and a direc-

BXL Plastics, a subsidiary of British Petroleum, where he was ceneral manager. Mr Alan Rahlly has been appointed regional director in charee of Tarmac Roadstone (North-West).

LONDON & CONTINENTAL
BANKERS has promoted Mr
Jeffrey Frost, hitherto an
associate director, to executive

BRABURY has appointed Mr
Tim Lowden as managing director. He jnined as financial
director a year ago, and takes
over the management from Mr
David Mordaunt, company chairman and chief executive. The
change releases Mr Mordaunt change releases Mr Mordaunt from the day-to-day running of the company, enabling him to concentrate on tong-term business strategy and the shaning of company policy.

Associate Trafalgar House companies Dorman Long Bridge and Engineering, and Young Austen and Young. will be involved in aspects of the work,

## Cementation wins £55m work in Nigeria

£34m sub-contract in Congola State, North East Nigeria. The project entails supply of UK goods and Services for three pro-jects for Congola State Governof Sir Robert McAlpine) where he was managing director.

TELFOS HOLDINGS has appointed Mr G. Rowtey a director.

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Mr Ketth Brooks has been appointed managing director of CLOBAL WATCHES, distributor of the Sekonda brand. He takes over from Mr Roland Baker who has moved to Hong Kong to head Remex Holdings, a post previously held by Mr Brooks. Both companies are divisions of Time Products.

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LONDON & CONTINENTAL BANKERS has promoted Mr Jeffrey Frost, hitherto an associate director, to executive director.

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Continent And Services for Congola State Goveroment—a hospital, aeparate rural electrification schemes and three lengths of roadway together with bridges. All projects are expected to be underway before the end of the year with completion scheduled for the end of 1986. An export credit to assist in the financing was arranged by Morgan Crenfell and Co and guaranteed bythe Export Credits Guarantee Department.

Cementation and Services for Congola State Goveroment—a hospital, aeparate rural electrification schemes and three lengths of roadway together with bridges. All projects are expected to be underway before the end of the year with company arranged by Morgan Crenfell and Co and guaranteed bythe Export Credits Guarantee Department.

Cementation and Services for Congola State Goveroment—a hospital, aeparate rural electrification schemes and three lengths of roadway together with bridges. All projects are expected to be underway before the end of the year with completion scheduled for the end of 1986. An export credit to assist in the financing was arranged by Morgan Crenfell and Co and guaranteed bythe Export Credits Guarantee Department.

Cementation and Cannon Construction, a Nigerian joint venture commany, are involved in building Makurdi central market. Work is now underway with completion expected by the end of 1985. The contract, valued at \$\text{C1} m will provide 2,500 market stalls in blocks of varying slzes.

A two-stores for the projects are expected to be underway before the end of the y A two-storey administration building will accommodate a police station, clinic, post office, abattoir, bank and a number of shops. The area will also include a children's playground, transhusses cortice, building

CEMENTATION INTERNATIONAL has started work on
two major contracts in West
Africa with a combined value of
£55m.

Aprofim (UK) has awarded a
£34m sub-contract in Congola
State, North East Nigeria. The
project entails supply of UK

CEMENTATION INTERbeen awarded two contracts two-storey structure. A threestorey indoor training and edustorey in contracts is programmed for spring 1984. Fairclough Scot-land is part of AMEC.

MILLARD CONTRACTORS of Tipton, West Midlands, has started work on the following construction contracts: 26 traditional houses at Larkhill, Kidderminsetr for Wyre Forest District Council at a cost of £558,606; new cold store at Stourbridgo for Fiesta Foeds wotrh around £400,000: 30 flats, one warden's bouse and one day centre at Stoney Lane, Yardley. Birmingham, for the Trustees of the Yardley Poors Charity costing £680,000 and a dust handline bullding at Crown Street, Wolverhamnton, for West Midlands County Council worth £43,483.

building will accommodate a police station, clinic, post office, abattoir, bank and a number of shops. The area will also include a children's playground, clide a children's playground, warehouses, service buildings and parking for cars and buses. Associate Tratalgar House comnances Dorman Long Bridge and Engineering, and Young Austen and Young, will be involved in aspects of the work, a further two blocks for permanent staff and a senior NCO mess. A combined junior ranks mess and club will be constructed inside a part one and NORWEST HOLST GROUP has

The PSA has also awarded a 22m contract for a single-storey pitched roof complex to be occu-

contract for mains and service-laying with completion scheduled for May 1985. The Esling and District YMCA Housing Asso-ciation has awarded o contract valued at £1.8m for construction of a YMCA Hostel with extensive community facilities. The build-ing consists of three wings with nighed roofs. Sited at £7 Marrs. nitched roofs. Sited at St Marvs Road. Ealing, work is due for completion in August 1985. Work has just commenced at BBC Bush House on Phases 3

and 4 of a contract valued at £501.000 for the demolition and construction of broadcasting studios, cubicles offices and corridors for BBC External Services (BBC World Service). Completion is scheduled for October 1984.

J. DONELLY CONSTRUCTION bas secured contracts amounting to around £2m in the North West. Work includes 34 flats at Sale for the Cuardian Housing Association, value £559.000; advance offire shells at Birchadvance other shells at Birch-wood for Warrington & Run-coro Develenoment Corp, worth £402.000 and Industrial units at Trafford Park for Mathind (Commercial) valued at

CREVEOR **VERSATILE STRUCTURES** For Offices, Factories, Warehouses CRENDON STRUCTURES LIMITED Long Crendon, Aylesbury, Basks, 1878 988. Tel: Long Crendon (0844) 208431 Teles: 83249

Northern Office: Warrengate House,

Lower Warrengate, Wakefield, W.Yorks, WF1 ISA, Tel: (0924) 361510

institutional use. A supermarket shell at 264-276 Walworth Road, SE17, is to be fitted out for Argyll Stores (Properties) at a cost of £812,000.

CEMENTATION CONSTRUCTION, UK building and civil engineering arm of the Trafaigar House Group, has won F42m worth of contracts in the North The majority of the work will be carried out by its specialist section, Cementation Pipelines and Mechanical Services, at Darlington. The largest contract worth fill umberland Water at Langbaurgh midway between Redcar and Marske. On the River Wear a E320,000 contract will shortly begin for the Borough of Sunderhand to abeet pile and rebuild part of the river wall. Work has started on a £875,000 below ground pipework Installation for the British Gas Corp. at Hornsel, and at Bolton Colliery. Tyne & Wear, the Borough of South Tyneside has awarded a Cementation a £500,000 sewer and drainage contract.

(Weybridge (0932) 54511)

Earls Court

Harrogate International Toy Fair (01-228 6653)

Harrogate (01-623)

Harrogate International Toy Fair (01-228 6653)

Harrogate International Toy Fair (01-228 66 and drainage contract.

A contract worth over £5.25m has been awarded to SIB ROBERT McALPINE & SONS by Wimpey Construction UK, management contractors for Britoil's new offices in St. Vincent Street, Clasgow. The contract is in two parts; the first comprises the substructure including excavation associated with pije caps, drainage, retainwith pile caps, drainage, retaining walls and the laying of a concrete basement slab. The second covers the superstructure, which is of reinforced concrete frame construction providing five storeys above ground concrete frame construction pro-viding five storeys above ground level and four below, which include laboratories, car park and plant rooms. Work bas begun, and is due for completion in June 1985. The building should be ready for occupation in 1986.

Jan 29-Feb 1

OVERSEAS TRADE FAIRS

International Lighting Exhibition (01-439 3964) Paris Jan 12-17

Jan 10-13 Masstransit Show (01-891 2606)

Trafford Park for Mathind (Commercial) valued at £450,000.

\*\*

Contracts worth more than £4m have been awarded to MANSELI for building and refurblsbment projects throughout Creater a batch of contracts worth £7m, A Homebase bome improvement ceotre for J. Sainsbury is to be built at 473 Higb Road, Willesden, in a contract valued at £1.3m. The British Cas Corp has awarded a £1.1m contract to construct aod commission a multi-purpose building with and Bermondsey are being caractommodation at ground floor and plant rooms at first floor of level. At 30-31 Furnival Street, EC4, a £1m contract is under way to construct a five-storey office for The Prudential Assurance for The Prude

Financial Times Monday December 12 1983 BUSINESSMAN'S DIARY

International Housewares Fair (01-930 7251) Cologue UK TRADE FAIRS AND EXHIBITIONS
Dec 13-15 (01-930 7251) Feb 10-13 Dec 13-15
Automatic Testing and Test
International Exhibition of
Instrumentation Exhibition and
Conference (Market Hill, Bucks
(02802) 815226)
Brighton
Dec 14-15
Exhibition and Conference Industry Trade Event (Shepperton
(09322) 43866)
Cunard International
Dec 15-18
Your Computer Christmas Fair
(01-643 8040)
Wembley Conference Centre
Jan 4-8

Cunard International
Feb 12-16
International Food Fair—ROKA
(01-486 1951)
Utrecht
Feb 21-24
Asian Petroleom Exhibition and
Conference — Uffshore S.E.
ASIA (01-486 1951)
Singapore
CONFERENCES

Jan 4.8
Caravan, Camping, Holiday and
Caravan, Camping, Holiday and
Circuit Plan: Cable television—
franchises now and later (01-221
Jan 4.5

Bristol
Jan 4.8
Circuit Plan: Cable television—
franchises now and later (01-221
Jan 4.15 Jan 4.15
London International Boat Show
(Weybridge (0932) 54511)

Earls Court

Dec 14

Europe and the BOTB; European
Development Fund (Northill)
Beds (076727) 630)

> Dec 14-16 IFHP/IULA: Changing roles for local and regional government in environmental management (70-244577) Maastricht, Netherlands

Dec 15
ESC: acquiring a company
tUpptugbam (0572) 822711)
Kensington Palance Hotel, W8 Dec 16
BSCA: computer aided design of structural steel to the new British Standard 01-834 1713) NEDC office, SWI

Jan 19-22

Home Entertainment — Hi-Fi, personal computer and software accessories exhibition (01-855 17777)

Jan 24-26

International Contract Flooring and Wallcovering Exhibition (South Ascot (0990) 24366)

Jan 28-Feb 1

Stationery Iodustry Exhibition — STATINDEX (01-385 1200)

Earls Court

Jan 29-Feb 1

Stationery Iodustry Exhibition — Earls Court

Jan 29-Feb 1

Stationery Iodustry Exhibition — Earls Court

Jan 29-Feb 1

Standard 01-834 1713)

NEDC office, SWI

CBI: equal pay for equal value (01-377400) Centre Foint, WC1

Jan 12-13

Brunel Management Programme: alternative futures — using scenarios in strategic planning turbridge (0835) 56461)

Brunel University, Uxbridge Jan 12

The Institute of Taxation: Business tax and other financial

ness tax and other financial incentives (01.235 8847)
Royal Air Force Club, W1
Jan 16-17
FT Conference: aerospace in Video Software Show (01-686 2599) Heathrow Penta Hotel Feb 2-5 Money Show (01-282 3382)

Kensington Exhibition Centre
Feb 5-9
International Spring Fair (01-855

Jan 16-17
Asia and the Pacific basin (01-621 1355)
Singapore
International Spring Fair (01-855

CPI 17
Committee Contract of the Pacific basin (01-621 1355)
Singapore
International Spring Fair (01-855 International

International Spring Fair (01-853 Jan 17
9201)

NEC, Birmingham

Feb 19-12

Crufts Dog Show (01-493 7838)

Earls Court

Earls Court

The Henley Centre for Forecasting: Consumer markets: fore-casts and opportunities (01-353 9961) Dorchester Hotel, WI Jan 19-20 Feb 12-15 International Men's and Boys' Wear Exhibition — IMBEX (021-705 6707)
Barbican Arts Centre

Jan 19-20
Macfarlane Conferences: The 1984 Pan-European Consumer Advertising and Marketing Symposium (01-637 7438)
Royal Lancaster Hntel, WZ Jan 22-27 TAVI/HR: "Rethlnking and action planning for organisa-tional change" (01-435 7111)

Jan 12-17
Amusement Trades Exhibition and Congress — INTERSHOW Jan 24
(Poole (0202) 687070) Hamburg LCCI: Licensing and technology transfer (07535 56633)
Cannon Street, EC4

(Poole (0202) 687070) Hamburg

Jan 16-19

Middle East Electricity and
Electronics Exhibition (01-831)

Jan 20-29

International Commercial Motor
Show (CH-1213 Grand Saconnex
Ceneva)

Jan 25-28

International Electronic Packaging and Production Equipment
Exhibition — INTERNEPCON
ELECTROTEST (0483 38085)

Tokyo

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International Confectionery,
Chocofate and Bisenft Trade
Exhibition — INTERNEPCON
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Chocofate and Bisenft Trade

Chocofate and Bisenft T Dublin 345585) Shoppenhangers Mano

TODAY
Commons: Until 7 pm, consideration of Private Members'
Motion. Later, remaining stages
of the Coal Industry Bill, and
the Town and Country Planning
Bill. Motion on the Eligibility
for Paleace on License Order for Release on Licence Order.
Lords: Matrimonial and
Family Proceedings Bill, Committee. Farm Structure (Payments to Outgoers) (Extension of Duration) Scheme 1983:

motion for approval. Pneumo-coniosis etc tWorkers Compensation) (Payments of Claims) (Amendment) Regulations 1983, notion for approval.

Select Committee: Public

Accounts: Subject — Financial assistance to De Lorian Cars Ltd. Witnesses: Nominee House will be asked to agree Directors of De Lorian Cars the civil and defence votes on Henderson. Northero Ireland mentary Estimates.

Development Board: Mr Saxon Tate, Chief Executive; Mr A. S. Hopkins, Deputy Chief Execu-tive. Department of Economic Development, Northern Ireland: Mr K. P. Bloomfield, CB, Permanent Secretary. Department of Finance and Personnel, Northero Ireland: Mr John Murray, Officer of Accounts (Room 16, 4.45 pm).

TOMORROW Commons: London Regional Transport Bill, Second Reading, Motion on EEC document No. 8922/83 on the Multi-annual programme for Transport Infra-structure. Motion on the structure. Motion on the Industrial Training Levy (Construction Board) Older. The House will be asked to agree account and the Winter Supple-

This week's business in Parliament (Borrowing Powers) Bill, Third Reading. Judgement Enforce-ment (Attachments of Debts) (Northern Ireland) Order 1983, motion for approval. Petroleum Royalties (Relief) Bill: Com-mittee. Agricultural Holdings Bill, Committee. Appropriation (No. 3) (Northern Ireland) Order 1983, Northern Ireland (Emergency Provisions' Act 1978 (Continuation) (No. 2)

Order, Motions for approval.
Select Committees: House of
Commons (Services) Computer
Sub Committee: Subject—Information Technology: Members'
Motions on the Agricultural
Co-operation
and Horticultural Co-operation
and (No. 3) Schemes.
Lords: Restrictive Trade Requirements, Witnesses: Mr Stuart Randall MP, Mr Barry Henderson MP, Mr Phillip Oppenheim MP (Room 8, 4.00

pm).
Public Accounts — Subject:
Financial Assistance to

De Lorean Cars Ltd. Witnesses: McKinsey and Co: Mr John Banham, former partner; Cork Gulley: Sir Kenneth Cork GCB, D.Litt, Mr Paul Shewell; Mr Christopher Hughes (Room 16, 4.15 pm). WEDNESDAY

Commons: Remaining stages of the Telecommunications Bill. of the Telecommunications Bill.

Lords: Restrictive T Practices (Stock Excha Bill, Second Reading. FRIDAY

Commons: Private Members Bills. Lords: Social Security regula-

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111/2 % Bonds Due 1990

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Panmure Gordon & Co.

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The Bonds each in the denomination of £1,000 have been admitted to the Official List by the Council of The Stock Exchange subject only to the

12th December, 1983

9 Moorfields Highwalk London EC2Y 9DS

#### **WEEK'S FINANCIAL DIARY**

Seagram 17cts,
Singer 10cts
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Sandortand 12 Lpc 1984 6 Lpc
Singol Banno Rub, Ests. 2.250
Time 25cts
Treasury 8 Lpc.n. 1987-90 4 Lpc
Bild. Biscurity 7 Lpc.Ob 1981-86 3 Lpc. Do.
Ob. 1993-98 4pc
Ltd. Mizr, Intern. Nts. 1987 5514.69
Websters 0.59 Mining 48 251659
Websters 0.59 Mining 48 251659
Websters 12 Lpc. Do. 1985-03 The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable. Weldom Gold Mining 40.31050 1965-03
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Growenor Group Garing Nort, Beetson
Place, Growenor Gardens S.W. 11.00
London Entortaintpents, palace Theatre, W.
12.15. Certain Interest Sangers Sange London Enfortainments, Palace Theatre, w. London Enfortainments, Palace Theatre, w. Manualieso Bronze, 1. Love Lane, EC, 12-00 Pearce IC, H.I. Parklands, Stoke Gifford, 3ristol, 12-30 Town Contre Sects, Town Centre Housa Merilion Centre, Leeds 12-00 BQA 00 MEETINGS—Finals: Irish Distillers Northern Foods North Michael Construction North Michael Brick) MODIL SOCIAL SIMPLE OF THE MEDILE OF THE MEDILE OF THE MY CHA. 1983 \$7822.57 RECEASED INTELL STATE OF THE MEDILE O Commerce 75 Harbourng Road, 8 hann, 10.00 for the large part of Lordon particular large, Sugar Assec, of Lordon particular large, Mincing Large, E.C. 13.53 for the large large, 10.00 for large large large, 10.00 for large large large, 10.00 for large large large, 10.00 for large DIVIDENO & INTEREST PAYMENTS-5 0.7# Oo. A 0.7#

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Marin (O. P.) Cutlers Hall Warwick Lane,
E.C., 10,30
North Sea Assets, 1, Charlotre Square,
Edinburgh, 12,00
Smart (J.) 12,00
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Abingdon, 12.30
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Saudi International Bank

AL-BANK AL-SAUDI AL-ALAMI LIMITED

This anniuncement complies with the requirements of the Council of The Stock Exchange in London



#### BANCO ESPIRITO SANTO E COMERCIAL DE LISBOA

(An Empresa Pública (Public Enterprise) whose capital has been provided by the Portuguese State)

U.S. \$30,000,000

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ISSUE PRICE 100 per cent.

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Sumitomo Finance International Interest will be payable semi-annually in June and December and will be at an annual rate of ¼ per cent. above the London inter-bank offered rate for six-month Eurodollar deposits for each Interest Period (subject

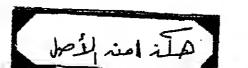
to a minimum rate of 6 per cent, per annum). The Notes mature in December, 1990. At the option of the holder of any Note, Banco Espirito Santo e Comercial de Lisboa will redeem such Note on the Interest Payment Date falling in December, 1988. The Notes may be redeemed, at the option of Banco Espirito Santo e Comercial de Lisboa, in whole or in part, at par on any Interest Payment Date falling in or after December, 1988 or in the event of certain changes

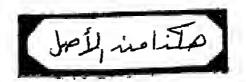
The Council of The Stock Exchange in London has granted permission for the 3,000 Notes of \$10,000 each constituting the above issue to be admitted to the Official List, subject to the issue of the temporary global

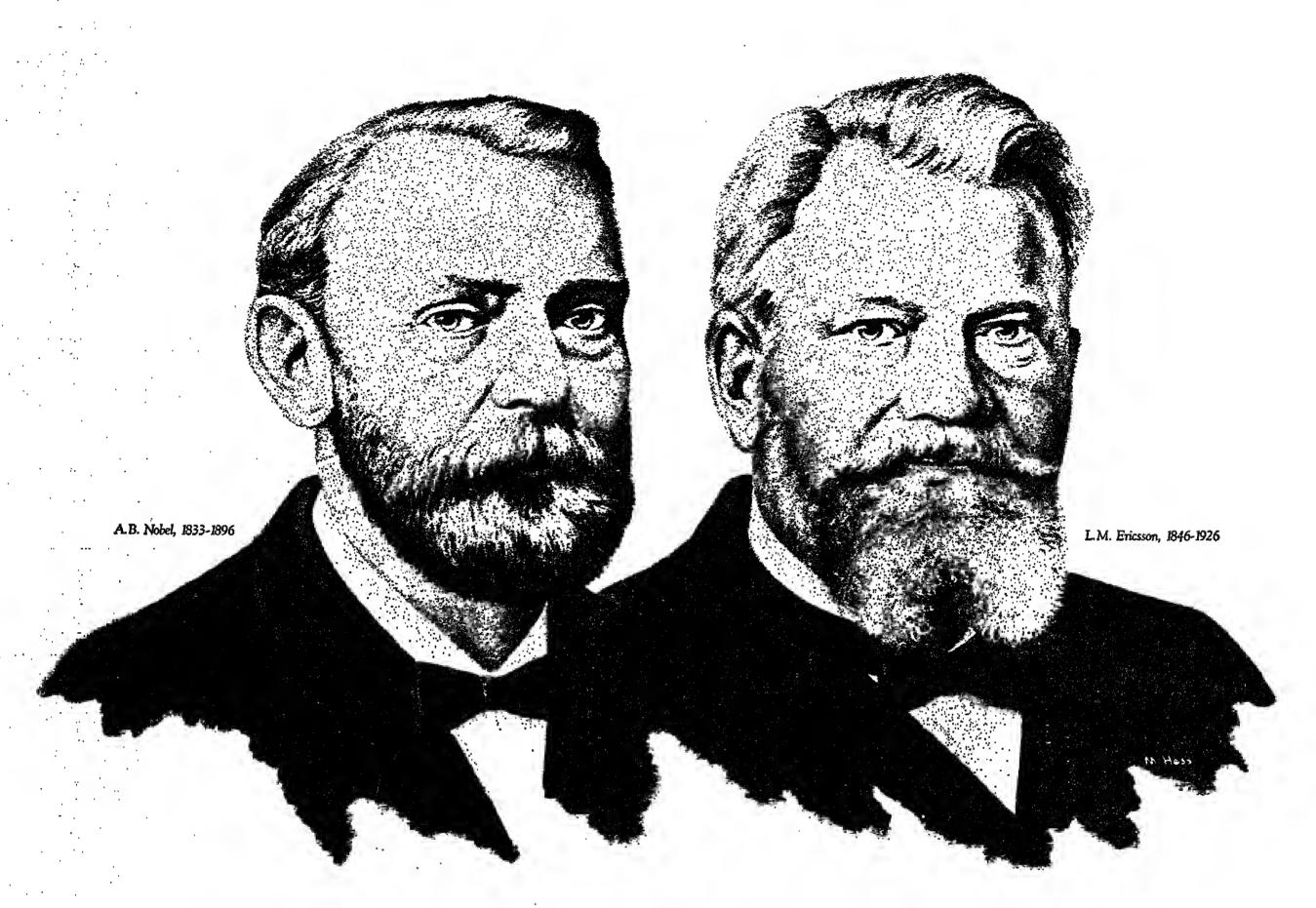
Particulars of the Bank and the Notes are available from Extel Statistical Services Limited and copies may be

obtained during usual business hours up to and including 30th December, 1983, from: -Standard Chartered Marchant Bank Limited. 33/36 Gracechurch Street. London EC3V 0AX 12th December, 1983

R. Nivison & Co., 25 Austin Friars, London EC2N 2JB







#### ONE MAN'S NAME IS ON EVERYBODY'S LIPS. THE OTHER ONE'S SOON WILL BE.

They both lived in Stockholm during the second half of the 19th century. Both were prominent inventors and industrialists.

Alfred Bernhard Nobel was a chemist. His most famous invention was dynamite. But he is best known for bequeathing his vast fortune to institute the prizes that bear his name.

Lars Magnus Ericsson was a telecommunications pioneer. The company he started over a hundred years ago is the world's fourth largest in its field.

This year, it is 150 years since Alfred Nobel

was born. And his prizes will be awarded again for the 82nd time.

We at Ericsson want to remind you of this occasion not for sentimental, historical reasons, but because we firmly believe that science and technology an help make the future better for all of us.

We have been helping to make communication between individuals, organizations and nations easier ever since the days of Alfred Nobel. Today, we are known as the pioneer in the digitalization of the

global telephone network. And the more we innovate in areas like data processing, information systems and cellular radio, the better you, too, will get to know us.

Write to us, on your company letterhead, for a free 12-page booklet on Alfred Nobel and his workand a little on what Ericsson's all about.



CANADIAN GROUP, HRS INDUSTRIES, ADDS A TOUCH OF COLOUR TO BLACK AND WHITE FILMS

## Old movies yield to painting by numbers

BY NICHOLAS HIRST IN TORONTO

A TORONTO video studio is about to give "Play it again Sam" a whole new meaning. Vidcolor, a subsidiary of enter-tainment group HRS Industries, has invented a cheap, quick method of adding a touch of colour to a monochrome Hum-

phrey Bogart. Videolor can turn old black and white films into coloured videotape. The kind of comvideotape. The kind of com-puter techniques which propelled George Lucas into a Star Wars future have taken Mr Wilson Markle, Vidcolor's presiwison starkle, videolor's president and inventor, into the past.

Mr Markle could turn

Bogart's smokey grey Casablanca bar into murky blues and greens, show viewers the colours of the Maltese Falcon, or present the sickly hue of the custard pie landing in Stan

Laurel's face.

Mr Markle's invention has been made possible by the microprocessor. He uses off-the-shelf computer hardware and dedicated in-house developed software to colour films on videotope in a fraction of the on videotape in a fraction of the time it would take by the only other available method-hand-

painting. Using computers, an art director " paints " the first frame of a scene. The colours are then locked in for the remainder of that scene. Changes in the pic-ture, such as a new character coming in shot can be melded into the process and srene by scene a whole film can be computer painted.

An old two-reeler, an 18 minute short, for example, would take an average of lwc days to complete. By handpainting a similar length fea-ture could take two years. But why bother colouring old films? Isn't it almost a sacri-

lige of an artform to mess around with old black and white masterpicces and show them in a way they were never inten-ded to be shown? Mr Markle

The market for the new technique is not an art film theatre He argues that far from spoil-showing movies to dedicated lng an art form, the process nique is not an art film theatre



Was Humphrey Bogart white with fear or red with rage in this final scene in Casablanca? We'll never really know, but the computer painting process will give the film a more colourful image

be filled on broadcast, cable and satellite television.

"There is a psychological barrier to viewing black and white film which produces a negative reaction in a large proportion of the television audience." says Mr Markle, "To that audience, black and white means outdated."

He argues that far from spoil.

have been converted. A Laurel and Hardy fan club in Britain, having had a preview of the process, is begging to be shown

die-hard fans of black and white have been converted. A Laurel and Hardy fan club in Britain, films. Sitting on the bottom having had a preview of the process, is begging to be shown in Toronto's Soho Street is a copy of an 18-minute feature. Copy of a full-length black and Videolor's process was first shown in prototype form with just a few minutes in colour in Videolor to turn it into colour. February of last year. Its first but wants no one to know it. February of last year. Its first but wants no one to know it two-reeler Is about to be com- has been done.

"They want it shown as if it were originally made as a colour film," said Mr Markle.

The trademark of the process is "Colorization." Mr

Mr Glick have evidence that a black and white films to colour market exists, but a statement videotape of material facts filed with the American firm he worked for Vancouver Stock Exchange in September for the raising of C\$2.2m and warrants to raise further C\$3.5m in March had cautionary note. "There la evidence this process momically feasible," economically

document stated.
Vidcolor and HRS are convinced it is. HRS Industries and Its affiliate. Hal Roach Studios, paid C\$2.5m this year for 75 per cent of Vidcolor and Mr. Markley circles company Markle's sister company. Mobile Image, a production studio company whose facilities are needed to complete the

are needed to complete the colorization process.
So far C\$600,000 has been absorbed in research and development. A first production line is expected to be in operation in the first quarter of next year and five lines by 1985. Vidcolor at the moment is little more than a research is little more than a research outfit. Once colorization gets under way: "Hang on to your hair." says Mr Glick. The process. he estimates, will produce revenues of C\$3m to C\$5m per line per year.

line per vear. In the year ended March 31 1983 HRS Industries made a loss before extraordinary items of C\$463,000 on revenue of C\$1.12m. HRS is 70 per cent owned by Mr Norman Gilck. his brother, Mr Earl Glick, and their publicly quoted oil company, Stampede Resources. For HRS, Vidcolor could be either what Hollywood dreams are wade of or a box office flop. his brother, Mr Earl Glick, and

r 1,500 black and white titles inj cluding the Laurel and Hardy
and Little Rascala library.
Laurel and Hardy bas a cult
following. In colour, Mr Glick
believes it will gain a new
audience.
Mr Markle hed. Norman Glick, president and cluding the Laurel and Hardy large sharebolder of HRS and Little Rascala library. Industries says: "The word colorization will be to video following. In colour, Mr Glick what Technicolor was to film believes it will gain a new and Coca-Cola to soft drinks."

May be. Colorization is still in its Infancy. Mr Markle and with the idea of converting to the believe it will be a fake.

was involved in producing colour television pictures of the Apollo moon shot programme for Nasa. It was Mr Glick's backing and the Hal Roach film

re la backing and the Hal Roach film is is library, which got the project the off the ground.

Mr Glick explained: "Wilson consaid: 'What would you say If stries I could turn some of that library into colour?' I said: year 'Right. Let'a do it.' That was two and a balf years ago."

Mr Glick provided the money, ction

Mr Markle the expertise. The

Mr Markle the expertise. The Hal Roach library provides a start, but if the process is successful, the video world is Vidcolor's oyster.
In North America alone, there are 17,000 black and white motion pictures and 1,400 black

and white television series. It addition there are over 30,000 black and white films elsewhere which could be colourised. Television audiences are a

ready being fed with re-runs of "I Love Lucy" and "Sergeant Bilko." If one network or cable system starts running these oldies in colour, others are going to be pushed to follow

If there is an irony in all this it is that viewers will not see the original colours of the actors and background in the old films. "Make-up in Laurel HRS's equivalent of Greta white, but who wants to see Garbo is its 72 per cent interest in Hal Roach Studios Incorporated, which has more than not possible to read from the



#### HEAT

#### Hazardous temperature measuremen

TEMPERATURE measure ment can be hazardous where there are explosive gases, high voltages or microwave beams. Asea, the Swedish engineering giant, has developed a temperature which combines optical fibre technology with semiconductors to yield an intrinsically safe probe.

It consists of a crystal of the semiconductor material gallium arsenide bonded to the end of n fine optical fibre. Asea claims this probe can be inserted safely into almost any industrial environment.

A beam of light from a light emitting diode within the instrument is transmitted along the fibre to the crystal which absorbs the light and re-emits light back along the

The distribution of colours in the emitted light is a function of the temperature ef the crystal; special circuits in the instrument detect some of this emitted light and use it to determine the temperature of the probe

The gallium arsenide tip will measure temperatures between 0°C and 200°C with an accuracy of 1°C. More from Asea (UK) on 01-467

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AN ARM of the U.S. defence being carried out all over the research organisations.

to evaluate the quality of work Foundation, air force and army

Dr funding, some U.S.\$200m, goes

AN ARM of the U.S. defence machine is helping fund basic research in some of Britain's universities. It is the Office of the ONR in rations, not generally available to About 70 per cent of its foreign organisations.

Mark to

the read the

WALL III

First Union General Investment Trust Limited . ALMERICA THE LIBERTY UTI GROUP

#### PRELIMINARY PROFIT ANNOUNCEMENT for the year ending 31 December 1983

Net income after taxation Number of shares in issue

Earnings per share

idends per share Interm - declared 9 June 1983 - declared 8 December 1983:

Total Net asset value per share 31 December 7983 cember 1982 R17 220 000 R15 019 000 74 520 000 23.11 cents 20, 15 cents 16,5 cents 15,0 cents

1. Surpluses on realisation of investments during the year ending 31 December 1983 amounting to R44 035 000 (year ended 31 December 1982 - R10 800 000) have been transferred to a non-distributable reserve in terms of the articles of association of the company and have not been

2. The net asset value shown under 31 December 1983 was calculated at the close of business on 6 December 1983 after deducting the dividend herein declared.

#### **DECLARATION OF FINAL DIVIDEND** in respect of the year ending 31 December 1983

Notice is hereby given that final dividend No. 46 of 10,0 cents per share has been declared in respect of the year ending 31 December 1983 payable to shareholders registered in the books of the company at the close of business on Friday, 30 December 1983. The share register of the company will be closed from Saturday, 31 December 1983 to Saturday, 7 January 1984, both days inclusive.

The dividend has been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the South African and United Kingdom transfer secretaries on or about 20 January 1984.

Cheques in respect of dividends issued by the United Kingdom office will be drawn in United Kingdom currency equivalent on 13 January 1984, Non-resident shareholders' tax at the rate of 15% will be deducted from dividends where applicable.

D Gordon (Chairman) JR McAlpine (Director)

Johannesburg

8 December 1983

South African transfer, Central Registrars Limited 154 Market Street Johannesburg, 2001

(PO Box 4844

Johannesburg, 2000)

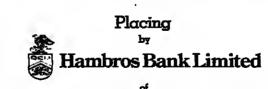
United Kingdom transfer secretaries Charter Consolidated P.L.C. PO Box 102 Charter House Park Street Ashford Kent TN24 8EQ

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Application has been made to the Countril of The Stock Evanance let the around a permanent to deal or the Codinary Junes and the Countries of the Codinary Junes and the Countries of the test of the Codinary Junes and the Countries of the test of the Codinary Junes is a seed in attributed with the requirement of the Codinary of the C



## Moray Firth Maltings plc (Registered in England No. 91 8540)



448,825 Ordinary shares of 50p each at 195p per share

SHARE CAPITAL Authorised Issued and to be issued fully paid £816,370 10 per cent. Cumulative £816,370 Preference shares of E1 each £4,000,000 Ordinary shares of 50p each £3,070,763 50 Motor Firth Mailtings pile is a leading manufacturer of distribing mail for the Scotch whicky industry, a supplier I mall to the brewing industry and exports both browing and dutating mall workbeide. Particulars of Monay Firth Malmage places contained in the Prospectus and air, available, in the statistical services of Extent Statistical Services and appears of such particular, may be obtained change usual business from an air weekaay. (Saturdays and Public Holidays excepted) up to and including 29th December, 1983 from

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#### N.V. GEMEENSCHAPPELIJK **BEZIT VAN AANDEELEN** PHILIPS' GLOEILAMPENFABRIEKEN

(Philips' Lamps Holding) **Eindhoven, The Netherlands** 

The Board of Governors of N.V. Gemeenschappelijk Bezit van Aandeelen Phillps' Gloeilampenfabrieken (Philips' Lamps Holding) has declared an interim dividend for the financial year 1983 amounting to Hfl. 0.60 per Ordinary Share of Hfl. 10 — nominal value.

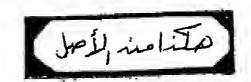
The interim dividend will become payable on 3rd January 1984. Payment of the net amount of this dividend on UK-CF certificates will be made by the Company's paying agent, Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX to the UK-CF depositaries in accordance with their positiona in the books of CF-Amsterdam at the close of business on 8th December 1983.

Holders of UK-CF certificates are reminded that such payment is aubject to deduction of 25 per cent Netherlands Withholding Tax. This 25 per cent may, however, be reduced to 15 per cent when payment is made to residents of the United Kingdom or to residents of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Western Germany, Ireland, Japan, Luxembourg, Netherlands Antilles, New Zealand, Norway, South Africa, Spain, Sweden and the United States of America, who deliver through the UK-CF depositary the appropriate Tax Affidavits to the company's agent Hill Samual & Co. Limited. The Netherlands Withholding Tax may be reduced to 20 per cent when payment is made to residents of Indonesia who deliver the appropriata Tax Affidavit in the above-mantioned way.

Payment of the net guilder amount of dividend will be made by Hill Samuel & Co. Limited, In sterling at the rate of exchange ruling on 5th January 1984 unless payment in guilders on an account with a bank in the Netherlands is equested no later than 20th December 1983.

Eindhoven 12th December 1983

**PHILIPS** 



#### WORLD STOCK MARKETS

	WORLD STOC	KWIAKKET	<u>S</u>		
Indices		AUSTRIA C.	ANADA	ITALY  1983 Dec. 9 Price	HONG KONG
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## PUZZLE No. 5,291

- 11 Toe Eric fractured can be
- 13 Latera) direction of border
- roads (8)
- instrument, in E (10)
- 18 Members of the Formica Building Society? (4)
- 20 A late cramp developing in
- 22 Leaving the land? Try sickbays! (8)
- 24 Th' old north form (5)
- to keep race going? (7)
- 2 Leather artefact Walther? (7)
- 3 Cops, we hear, thrown off-

- 12 Dues, it is said, of church ceremonies (5)
- 15 Windy current from old bass
- 16 This piece of burlesque requires singular outilt (4)
- horse's foreleg (10)
- 26 Describing peoinsula that could be much colder after
- 27 Runners in pairs who help 28 Pop number for the older man? (6-6)

#### DOWN

- for
- lity (13) 14 At 22.00 hrs, take steps to here is a place to hide (8) 4 Cosy place with fitted tables

set aside (7)

- 6 It has to go back on the 21 Military artisan, person intenth (5) side jetty (7) 7 Romans' loan to Anthony
- 8 9 on guard, perhaps? (13) 9 Seven Stars lie turning— 25 Complaint of cattle (4) showing free-turning capabi-
- see how many turn up (10) The solution to last Saturday's 17 Snatch some glee? (4-4) prize puzzle will he published 5 Kind of music for accom- 19 One of the many fortune- with names of winners next tellers in China (3-4) Saturday.

- 23 Like Quixote-at it about fifty: (5)

₹,

## Guinness Mahon Ing Fun0 (Guerneey) PO 80x 186. St Peter Port. Georgestv. 0481 23508 ICF Managament Services inc Jardine Fleming & Co Ltd Taiwan (R.O.C.) Fund Lazerd Brothers & Co (Jersey) Ltd PO Box 108. St Helier, Jersey, Cl. CoG8 d 51.389.07 1408.53 11.12 LazerFare 514.69 15.63 1.00 Cher 81 510.30 10.35 8.50 N Am Fd 510.58 11.26 8.50 CoGB d \$1.389.07 1408.53 LazBrFarE \$14.69 15.63 Other 8d \$10.30 10.35 N Am Fd \$10.58 11.26 Lloyda Bank Internotional, Genova PO 00x 438, 1211 Genera 11 I Switzer L I Dollar \$99.1 1G2.3 L I Growth 5F992.0 960.5 L I Income 5F285 0 294.0 L I Prishc 5F108.5 114.0 Lioyds intl. Money Market Fund Ltd. PO Bes 138. St Peter Port. Guernsey. Steeling Class Steeling Class Steeling Class Next dealing day Sec 14. United Fund Managers Ltd

Standard Chartered Off Money Mist Fd PO Box 122. St Holler, Jerzov. 0534 74454 Sjerling 5:00.2094 +0.0022 8.59 U.S. Oollar 5:00.474 +0.0048 8.44 O-Mark 0M50.5458 +0.0744 4.an Swi3s Franc SwFrd0.2705 +0.0033 2.82 Japan Yen 75.068.9681 +0.7758 5.38 State S1 Bank Equity Hidgs NV Cnr Mgt Co. 8 John B Gorstraweg, Curacae Net asset salne Doc 8 \$8-52. PrtiloFolna 255.9 PrtiloEoCno 233.7 UK Equity 97.9 O'Mas Equity 98.8 Smaller Cos 94.2 Gill Plus 96.2 Gill Plus 98.2 Fib ediniDep 95.2 c/o Vickere On Costa Ltd. Kiag William St. London EC4. 01-623 249. NAVNT \$403 IOR Value U5510.027.37 01-623 2494 Target Trust Mingrs (Jersey) Ltd PO Boy 194, St Heliar, Jorsey. 0534 27441 Mgd Cer F0 07.7 102.0 .... Tyndall-Guardian Managomant Ltd United Fund Managers Less 16-18 Queens Road Central, Henry Kong 5-231417

+0.1 Skandia Life Assurance Co Ltd Indx Lko Sec. | Linked Assurance Lko | 100 Temple St. Bristol B51 6EA | 10272-279179 | Freed int | 170.3 | 171.1 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172.0 | 172 -0.5 Swiss Life Pensisna Lid 99-101 London Rd. 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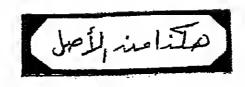
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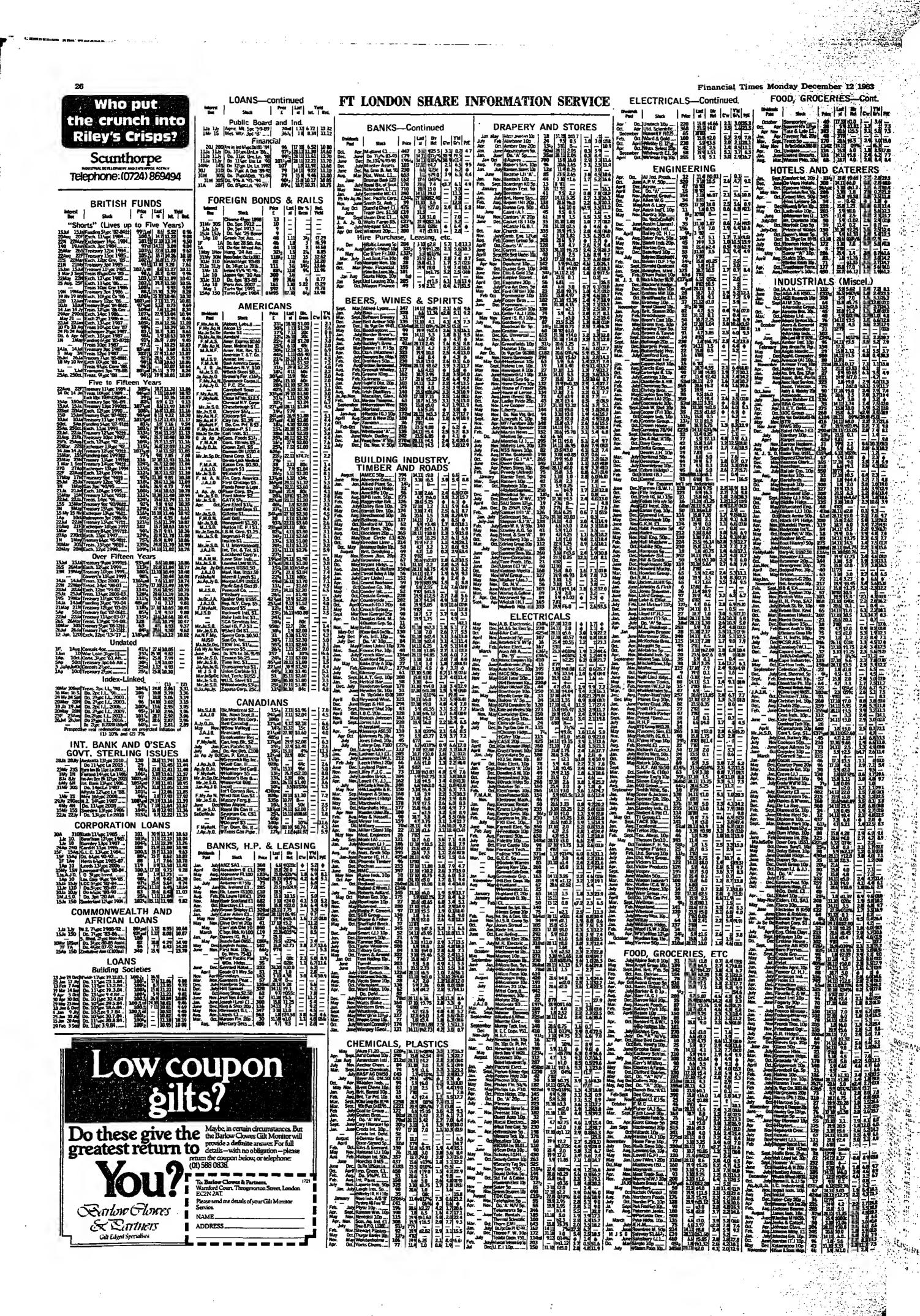
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Coroxi 2 Man. Fd. 10-17 10-17 10-17
Coroxi 2 Money Fd. 10-17
Coroxi ### STATE OF THE PROPERTY OF T The property of the property o 103 Ortord St., Manchecar 061-296 943 Managed 139,4 166.8 190.9 Property 124.3 190.9 | Deposit | Series | 190.2 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 190.3 | 1 抗血红色 二十 FASPE



Financial Times Monday December 12 1983 INDUSTRIALS—Continued LEISURE—Continued PROPERTY—Continued INVESTMENT TRUSTS-Cont. OIL AND GAS—Continued Colorado Shatk Proce of Net Con Grs PAE

#### CURRENCIES, MONEY and CAPITAL MARKETS

#### FOREIGN EXCHANGES

## Regan comments boost dollar

BY COLIN MILLHAM

Mioister, and Mr Dobald Regan, U.S. Treasury Secretary, underlined the movements of various currencies on the foreign exchanges last week. The dollar moved comfortably above the moved comfortably above the record levels set to August, and sterling fell to its lowest level ever against the U.S. currency.

While Mrs Thatcher openly attacked U.S. economic policy in a Commons statement Mr Regan said that there was little prospect of lower U.S. interest rates until at least the spring.

This exchange of views coincided with the Geneva meeting of Opec, and doubts about

Bolgian Franc ... Danish Krons ... German D-Mark French Franc ... Durch Guilder ... Irish Punt

1.7850-1.7960 4 39-4.43

**EMS EUROPEAN CURRENCY UNIT RATES** 

+2.19 +0.71 +0.89 -0.02 +0.34

0.08-0.13c dis 0.06-0.15c dis 11-1c pm 5-15c dis 31-44crs die 0.28-0.16s pm 11-1ph pm 125-335c dis 220-260c dis 121-151; lire dis 21-4c dis 21-21-ore dis 0.65-0.55y pm 71-51-gm pm 11-11-c pm

Changes are for ECU, therefore positive change denotes a weak currency, Adjustment colculated by Financial Times.

The strong differences about the ability of the cartel to main-inlerest rales between Mrs taip the \$29 a barrel reference Margaret Thatcher, the Prime price for oil. The depressing implications for North Sea oli prices kept the pound pervous for most of the week, and the better than expected third quarter UK current account surplus of £603m failed to lend

apy lasting support.

Sterling also eased slightly against Continental currencies, but the strongest movements of all major units lowolved the dollar, which rose to a 10-year high against the D-mark, and to all time neaks against the French all time peaks against the French franc: Italian lira: Spanish peseta, Danish and Norwegian krone and Swediab krona.
At the beginning of the

-0.44 -2,43

±1.5447 ±1.6425 ±1.0642 ±1.4062 ±1.4964 ±1.6699 ±4.1505

the dollar was boosted by rising
tension in the Middle East
following U.S. air strikes against
Syrian positions in Lebanon, and
falling unemployment, illustrat-
ing recent signs of economic
growth. The rise of \$1.6bp in
U.S. M1 modey supply was also
more than expected, and the
dollar continues to be upder-
pinned by forecasts that this
Friday's M1 figure will be about
\$5bn higher, as rising economic
activity feeds through into the
MARAY EURRIN AGUERE

money supply figures.

Ceptral banko, including the Bank of England, interveded from time to time in an attempt to stem the dollar'o rise. The German Bundesbank sold dollars each day at the Frankfurt fixing. and also acted Tuesday and Friday on the open market, sell-ing a total of around \$175m on

£ in New York

	Dec. 9	Previeus
1 month 5 months	91.4370.4385 0.11-0.18 dis 0.50-0,55 dis 1,87-1,32 dis	0,10-0,11 dis 0,27-0,29 dia

FORWARD RATES AGAINST STERLING

BANK OF	ENGL	AND TE	REASURY BI	L TE	NDER
	Dec. 9	Dec. 2	: :	Dec. 8	Dec. 2
Bills en effer Total ef applications	1		Top accepted rate of discount.	8,8643%	8,8843%
Tetal allocated Minimum	£100m	£100m	rate of discount	8,8843% 9,09%	8.56 <del>66</del> % 9.07%
accepted bid	137,783	£97.785	Amount on offer at next tender	£100m	£100m

THE DOLLAR SPOT AND FORWARD

Dec 8	Day'e spread	Cisse	Quo month	% p.a.	Three % months p.s.
UKİ	1.4350-1.4440	1.4410-1.4420	0.08-0.13c dle		0.25-0.30dis -0.76
tbnelmi	1.1365-1.1400	1.1390-1.1400	0. <b>26-0.1</b> 6c pm	1.82	0.69-0.57 pm 1.82
Canada	1.2440-1.2452	1.2445-1.2450	0.03-0.01c pm	0.19	0.09-0.00 pm 0.24
Nerhind.	3.0620-3.0670	3.0636-3.0645	1.03-0.93c pm		2.85-2.75 pm 3.65
8elgium	55.40-55.50	55.42-55.44	5-6 <sup>7</sup> , dis	-1.24	19-23 die - 1.51
Denmark		9.9000-9.9050	t.40-t.90ore die		1.50-2.00dls -0.70
W. Gsr.	2.7300-2.7400	2.7330-2.7340	0.86-0.81pf pm	3.66	2.57-2.52 pm 3.72
Portugal	129.75-130.75	130.35-130 60	80-220c dis	- 12.67	300-650dle -14.66
Spain	157.00-157.32	157.22-157.32	150-170c dre	- 12.21	415-465dis -11.19
Iraly	1654.5-1657.25	1655.5-1656.5	8.50-9.0 tire dis	-0.33	28-28.75dis -0.84
Norway	7.6480-7.7050	7.7000-7.7050	2.10-2.40ore dis	-3.50	5.50-5.80dm -2.93
France	8.2970-8.3130	8.3000-8.3050	1.57-1.72c dis	-2.37	5.55-6.95dis - 2.75
Sweden	8.0010-8.0120	8.0070-8.0120	1.05-1.2Sore dis	-1.72	3.15-3.35dis -1.62
Јарап	233.40-234.15	233.85-234.00	0.62-0.58y pm	2.07	2.01-1.96 pm 3.39
Austria	19.250-19.2825	19.25-19.27	8.40-5.40gra pm	3.67	19.40-18.40pm 8.71
Switz.	2.1825-2.1975	2.1910-2.1920	1.10-1.05c pm	5.88	5.15-3.10 pm 5.70
disco	unts apply to	the U.S. delle	J.S. currency, From and not to the france, Financia	indivi	duel currency.

	<u></u>
OTHER CURRENCIES	

THE POUND SPOT AND FORWARD

79.90-80.00 14.27-14.28

14.27-14.28 1.2856-1.2660 3.94-3.95° 187.25-187.75 187.25-187.75 120.49-226.69 2387',-2389', 11.104,-11.114 11.544,-11.55', 337'4,-338'4 27.72-227.77 3,16-3.17

Dec. 9	£			£ Note Rates
Argentina Peso Australia Dellari Brazil Cruzeiro. Finland Markka Greek Drachma Heng Keng Dollar. Fran Rial Luxembourg Fra KewaitDinariKDi Luxembourg Fra KewaitDollar KewaitDollar KewaitDollar KewaitDollar KewaitDollar KewaitDollar KewaitArican Rand Kindarican Rand Kindarican Rand LAE. Dirham	"1,9600 1,5855 1,325,8 1,334,0 8,3945 8,4090 141,30 141,80 137,16* 0,4200 0,4205 80,07 80,17 2,3600 3,3660 2,1580 2,2090 4,9965 5,0015 3,0600 3,0660 1,7485 1,7525	0.8510.5.8530 98,50.98,00 7.8170.7,8190 87,5* 0.29254-0.29264 05.80 05.82 8,5420 2,3440 1,5165 1,5360 8,4810 3,4815 2,1315 2,1336 1,2180.1,2210	Austria Belglum Denmark France Germany Italy Japan Notherlands Norway Portugal Spain Swedon Switzerland United States Yugoslavia	27,65.27,95 80,60-81,43 14.26-14.40 11.84-12.06 5.93-3.87 2370.8400 4.401,4,441, 11.09-11,18 185-195 8241,255 11.50-11,60 5.10 (4.3.194, 1.421,1,441, 201.212

9elgian rate is far convertible francs. Financial franc 80.95-81.05 Sia-month forward dollar 0.54-0.59c dis. 12-month 1,13-1,78c dis \*Closing rate for D-moth on Occamber 7 wee 5.93%-3.94%

CURRENCY	MOVE	MENTS	CURRE	NCY	RATE	S
Dec. 9		Morgan Guaranty	Dec. 8	Bank rate %	Special Drawing Rights	Europe Curren Unit
	Index	Changes	Sterling			0.5732
Sterling	82.8	-8,2	u.s. 8		1.04177	0,8223
U.S. dollar	130.2	+81,5	Canadian8			1.0263
Canadien doller,	82.0	+0.2	Austria Sch		80,2103	18.888 45.883
Austrian schilling.	114.0	+2,8	Belgian F	10	56.0780	
Belgian franc	88,7	11,e	Danish Kr		10,3943	8.1989
Danish kroner		-6,2	D mark	4	8,86455	3.2014
Deutsche mark,	124.4	+0,8	Guilder	5	5.21021	2.6345
Swiss franc		+13,2	French F		8,70295	6.8728
Guilder	114,0	+4,2	Lira	17	1736,83	1309,4
Fronch trane	66,4	-10.1	Yen		244,087	194.07
Li, a	49,1	-18.0	Norwan Kr	8	8.07111	6.3816
Yen	164.8	+11.0	Spanish Pta	= .	164.894	130,88
			Owedish Kr		8,37791	6,0163
Morgan Guaranty	changes	eperede :	9wiss Fr		2.30523	1,8182
1980-1982-100. Be	nk of Eng	land Index	Greek Dr'ch	2013	102,875	81.019

#### **EXCHANGE CROSS RATES**

Dec. 4	Long at Line	O'S' DOUTE	i pentecheni k	Sahaniese i dii	ri onen rane	SMISS LIMIS	Dutch Oune	itanen ura	Canada Dollar	Salaten LLT
Pound Sterling U.S. Dollar	0.697	1,486 1.	9,948 2,749	239,5 230,5	11.893 - 8.355	5,168 2,207	4,A20 8,079	8386, 1664,	1,798	80.18 05.81
Deutschemark	0,253	0,364	11,68	86.00	3,038	0,802	1,120	604.9	0,454	80.50
Japanese Yon 1,000	2,946	4,228		1000,	35,32	9.330	13,02	7034,	6,281	236.0
French Franc 10	0,834	1,197	5,282	283.1	10.	2,641	3,686	1881.	1.485	66.81
Swiss Franc	0,316	0,453	1,246	107.8	3.766	1.	1,395	703.9	0.866	86.29
Dutch 0 uilder	0,226	0,325	0,893	76.81	2,715	0.717	1,851	540,3	0,400	18.13
Italian Lira 1 000	0,419	0,601	1,653	142.8	5,022	1.326		1000	0,761	38.65
Canadian Dollar	0.558	0.801	2,202	189.5	6.688	1,787	2,465	1339.	2,238	44,68
Ssigian Franc 100	1,248	1,792	4,827	423.7	14,97	3.953	6,017	8981.		100.

#### EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 9	51arling	U.5. Dellar	Canadian Dollar	Duten Guilder	8wiss Franc	0-mark	Franc	Italian Lira	Scigla Conv.	n Frane Fin,	Yen	Danish Kroner
Short term 7 day's notics Menth Three months 6ix months One Year	0 0	9] 10 10 4 10 10 10 10 10 10 10 10 10 10 10 10 10	9/2-10 10/4-10/4 9/2-9/2 9/2-9/2 9/2-10/4 10/2-10/4	6.01 <sub>8</sub> 6.61 <sub>8</sub> 6.7-6.7 0.7-6.7 erg. etc.	174.6 2.274 4.7.475 4.7.436 4.7.4,8 4.7.438	01: 508 51: 51: 0: 0:: 0: 0:: 0: 0:: 6: x 6:: 6: x 6::	1154-13 1134-12 12:1844 1256-1978 1356-1378 14-144	154-104 164-105 16-185 16-185 1654-174 174-184 1818-185	8-8r <sub>5</sub> 10t <sub>4</sub> -103 <sub>4</sub> 10r <sub>2</sub> -11 111 <sub>4</sub> -113 <sub>4</sub> 113 <sub>8</sub> -117 <sub>6</sub> 111 <sub>2</sub> -12	9.91g 10-101g 101g-1034 111g-113g 1114-111g 115g-113g	814 0.4 618 814 613 715 658 634 634 634 634 678	12 % 12 % 19 12 1 15 19 12 1 19 14 12 14 11 14 12 14 11 17 12 14

Asian S [crosting rates in Singapore): Short-term 91-93, per cent; seven days 932-932 per cent; sinc month 10-032 per cent; three menths 101-1032 per cent; one years 103-1032 per cent; lour years 12-1232 per cent; lour years 13-1232 per cent; lour years 12-1232 per cent; lour years 13-1232 per cent; lour years 12-1232 per cent; lour years 13-1232 per cent; lour years 13-1232 per cent; lour years 12-1232 per cent; lour years 13-1232 per cent; lour

#### MONEY MARKETS

## Rates react to weak pound

Londoo short-term interest rates reacted nervously to the weakening of sterling against the dollar op Friday. The very short end of the market was held down by the Bank of England forecast of a small £100m moocy market credit shortage, later revited to CMOW, but periods from vised to £200m, but periods from three-mooth to one-year rose by

One-year interbank money was offered at 1015 per cept, the highest level slace mid-september, and the first time that any fixed period has been quoted in double figures affice

UK clearing banks' base lending rate 9 per cent (sloce October 4 and 5)

the cut in clearing bank base the cut in clearing bank base rates in early October.

Most of the week rates had been very steady, refusing to show movement on earlier weakpess of the pound, but puarket nerves were further illustrated. Friday afternoon when the lowest accepted bid at the weekly Treasury bill tender received 92 per cent of the £100m issue.

Firm U.S. interest rates were the major factor creating fears

#### FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING 111.00 am December 91 5 months U.S. dellars

	bid	10 1.8	i i	effer	104		
e months U.S. deliars							

of higher rates in Loodon, following remarks by the U.S. Treasury Secretary, and the io-jection of only \$1bn of liquidity into the New York banking system by the Federal Reserve on Thursday, which failed to stop Federal funds touching 92

per cent.
In Frankfurt call mooey eased back 10 5.525 per cent from 5.60 per cent after banks bid strongly for fuods at the beginning of

the week to build up minimum reserve requirements early in the month, and to fulfil year-end the month, and to fulfil year-end balance sheet needs.
Paris call money retreated to 11% per cent on Friday, equal to the 2%-year low touched the previous week, despite the weak-pess of the French franc against the dollar. The Bank of France intervened in the Paris market on Tuesday, but kept its dealing rate upchanged at 12 per

cent when buying about FFr 14bn of first category finished the week very firm at 6 per cent, compared with 513 be per cent, compared with 51s per cent on the previous Friday, but liquidity was considered adequate to meet the needs of the banking system at present, and no special advance was expected to supplement the normal quota facility.

MONEY RATES

LONDON MONEY F	RATES		Disco	ount Ho	uses C	eposit	and Bill	Rates
Overnight One month Twe manths Three months Sx mcnits Lombard Intervention	e,40-6,55 6,35-6,50 0,35-6,50 6,30-6,45 5,5	113, 123-18, 123-123, 123-123, 124-125		034.8 619.6 l4 812.638 812.638	e,03125 6,00 e,28125	17to.177a 175g-18	e,eo · 101g·104 · 11·1114 · 111g·1119	1214-121g 1214-121g
	114114							

ONDON MONEY RATES	Discount	Houses	Deposit	and	BIII	Rates

Dec. 9 1988	Sterling Gertilicate of deposi1	· Interbank	Local Authority deposits	Company Deposits	Merket Deposits	Treasury (Buyl	Treasury (Sell)	Eligible Bank (Suyi	Eligible Bank (Bell)	Trade   Buy
Overnight	. –	694	9.914	7.913	6-9		_	_		<u> </u>
2 days netice 7 days or	. =	: = ;	8:4.9	• =	1 =	! =	_	_ :	! =	! =
7 day notice	· _	عا9-د87	81g-91g	912.919	9	_		! = `		i =
Onc month	9,,9,	91,91,	919	81r-812	9	9,	84.9 84.9	نو9	: 8	84
Two months	9,95	914.959	9.5	. 9>e	8	; 8⊈	87.8	86	8:3 81g	94
Three months	9 9	8 . 91	916	5,1	9	8 te	85	8#	812	95
Six months	9.9.	99.9	954	-		i – i	-	9,5	9 🖟 🛭	916
Nine months		9-/-10	3%	: -		. –	_	_ '	! - 1	i -
Ong yeer	91,91	. 9:¦·10 I	9:4	: -	~	' -			. – i	i —

	Local Auth. negetiable	Local Authority		ef I	SDR Unked	ECU j Linked		
	bends	Daposits	· Deposits	Dapoeits	Deposits	Doposits		
one month Two months Three months Its months The menths The year Two years	912.918 10-956	Ξ.	9/k 9/g	9.75-9.85 9.75-9.80 9.85-9.95 10.00-10.02 10.23-10.45- 10,55-10,70	82.9,2 9.9% 9.2.9% 914.9%	873.914 9.844 914.912 914.915 831.1018		
nrec years	_	1012	_	1 — 1	_	_		
eur years		10.3	: =	=	=	! =		
ECGD Fived Rute E-port Finance Schema IV Average Rate for interest eried Nevember 2 to Occember 6 1983 [inclusive) 9,350 per cent. Local mathematics and limites bouses saven 6329, potice ethers seven days, fived								

- IAC ACGLE"	_ '	10.9 .	- 1	- 1	- :	_
ECGD Fived period Navember authorities and bit	2 ts Oa	cember 6 f	963 Junciu	sive) 9 350	per cent	. Local
Finance Houses : 8½ per cent from ! lending 9 per cen	8ase Rate Oscembor	s Ipublisho t 1983. Lon	d by the	Financa Ha	suses Ass ring Bank	ocistion] Rares Isr
per cont. Traces Continuates of Tue one month 9's per	ury Bills: Depasit (	Avaraga to Saries 6].	inder rate Deposits et	61 discount £100.000 at	t 8.5843 p nd over ho	oar cent. Id under
Under C180,900 94 10 per cans. The	a per cent	fram Octo	ober S. D	epssirs held	d under S	

<u>'</u>	<u> </u>
NEW YORK (4 pm)	
Prime rate	11 10-10: <sub>4</sub> 8' <sub>4</sub> 8' <sub>4</sub>
Treasury Bills	
One menth Two menth Three month Six menth One year	9.45 8.85 8.99 8.17 9.25
Treasury Bonds	
Two year Three year Feur year	99'n 99'n 99'n

#### FINANCIAL FUTURES LONDON **CHICAGO** U.S. TREASURY BONDS (CBT) 8% \$100,000 32nds of 100% THREE-MONTH paints of 100". Low Prev 90.05 90.21 Dec 99.48 89.63 March 20.22 June 88.79 89.00 Sept 88.74 88.77 Dec March Juna Sapt 11NG DEPOSIT Dec March 1.1NG DEPOSIT DEC MARCH 67-06 65-29 10w Prev 90.81 90 88 90.33 90.45 90.09 90.25 89.92 90.02 — 89.76 U.S. TREASURY BILLS (IMIM) points of 100% 1510) day'e open int 4,699 (4,637) 20-YEAR 12" NOTIONAL GILT £50,000 32nds si 100% Close High 108-20 108-17 108-25 108-07 108-20 108-17 107-18 108-19 107-26 108-17 107-18 108-19 107-26 106-19 — 106-19 — 107-26 106-19 — 107-15 is 5.043 [2.596] is day's open int 3.389 [3.533] quote [class cash price of Treasury 2003 less equivalent of near futures contract] par to Closes 90.34 89.65 89.30 \$9.03 Dec 1.4340 1.4377 1.4335 1.4395 March 1.4395 1.4405 1.4345 1.4425 June 1.4425 1.4425 1.4410 1.4455 Valume 570 1229) Previous day's open int 2.357 (2.436) Close High Low Prev 0.3638 0.3638 0.3629 0.3656 0.3675 0.3678 0.3665 0.3966 0.3712 — 0.3730 STERLING | IMM | \$6 Close 1,4360 1,4385 1,4425 1,4470 1,4495 1,4520 Close Nigh Low 1.4360 1.4375 1.4345 1 March 1.4365 1.4405 1.4370 1 June 1.4425 1.4436 1.4410 1 Sept 1.4470 1.4500 1.4465 1 Dec 1.4495 1.4500 1.4465 1 Dec 1.4495 1.4500 1.4475 7 March 1.4520 — 1.4500 1 GNMA (CBT) 8% \$100,000 32nds of 100%

VEEKLY CHANGE IN WORLD INTEREST RATES								
DON	Dec. 9	change	NEW YORK	Dec. 9	ohange			
rates	9	Unch' d	Prime rates	11	Unch'			
Interbank	916		Faderal funds	914	+0.10			
h interbank	86			8.98	1+1110			
sury Bill Tander	8.8843	+0.0177	8 Mth, Treasury Sills	9.10	+0.00			
f 1 Bills	1914	Unon a	3 Mtn. CI	9.70	+0.80			
5 8111a	87a	linch'd	FRANKFURT		[			
h. Treasury Bills	87k		rompard	6.00	Unch' d			
h. Bank Bille	8.	+ >4	, One Min. Interbank	8.475	+0,06			
h. Bank Bills	183	lunch' d	Three month	6.485	Unch'			
			PARIS .					
YD month Bills	0.45875	dinahi d	Intervention Rate	18	unch'			
e month Bills	6.28125	lineh'd	One Mth. Interbank	12,125	-0.120			
	1020250	ionen e	Three month .	12,120	-0,082			
SSELS	1	Ι.,	MILAN		!			
month_	1054	- *	One menth	171	Unch'			
a month	1110	+18	Three month	1713	Unch' d			
TERDAM	i	1	DUBLIN		(			
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JAPANESE YEN Y12.5m \$ par Y100

#### EBCO FINANCE B.V. U.S. \$15,000,000

**Guaranteed Floating Rate Notes 1988** (Conditionally Extendible at the Noteholder's Option to 1991)

Guaranteed on a subordinated basis as to payment of principal premium (if any) and interest by **European Banking Company Limited** 

With effect from 6th December, 1983 European American Banking Corporation has resigned as Agent Bank for the purposes of the above Notes and has been replaced by Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EG2P 2EE. EBCO FINANCE B.V.

Notice is hereby given pursuant to the Terms and Conditions of the Notes that the Rate of Interest (as therein defined) for the Interest Period (as therein defined) from 12th December. 1983 to 12th June, 1984 is 105% per annum. The Coupon Amount to which the holders of Coupon No. 5 will be entitled on duty presenting the same for payment on 12th June, 1984 will be US\$540.10, subject to appropriate alternative arrangements being made with the consent of the Trustee by way of adjustment, without notice, in the event of an extension or shortening of the above-mentioned Interest Period. Bankers Trust Company London Agent Bank

12th December, 1983

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Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

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(Kabushiki Kaisha Tokyo Gialu)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curacao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank, N.A., dated December 8, 1981, notice is hereby given that the Rate of Interest has been fixed at 101% p.z. and that the interest payable on the relevant Interest Payment Date, June 12, 1984 against Coupon No. 5 will be USS266.88.

December 12, 1983, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

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#### Sun Hung Kai Securities (Bermuda) Limited

Floating Rate Notes due 1986

In accordance with the provisions of the Notes notice is hereby given that for the six months infarest period from December 8, 1983 to June 8, 1984 the Notes will carry an interest rate of 1115% per annum. The relevant interest Payment Date will be June 8, 1984 and the interest then payable against coupon No. 5. will be US\$562.34 per US\$10,000 Note.

December 12, 1983 By: Citicorp International Bank Limited. Agent Bank



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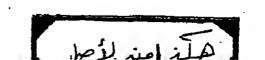
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Left to right: Testing cameras at Nikon's Tokyo plant; Matsushita's (National Panasonic) training centre at Osaka; making clothes at Jan Sin Mee Garments; machining parts for video recorders at Sanyo, Osaka

#### By Charles Smith

JAPAN'S INDUSTRY has JAPAN'S INDUSTRY has begin a modest recovery this year from the recession into which it was plunged at the end of 1981 when Western nations abruptly cut back on their purchases of Japanese products. However, recovery has brought with it a number of worries as to where the economy may be going next and about prospects going next and about prospects for sustained growth in the next

has so far been unaccompanied rather by any sign that Japanese companies plan to increase investment in new plant and equip

The various imbalances that have accompanied Japan's emergence from its 1981 recession (and which recently led the Economic Planning Agency to remark that the economy is in a state of "imperfect com-bustion") can be explained at Japan, contrasts sharply with least partly by factors outside the way chips were originally Japan's control. These include put to work in their country of the high level of U.S. interest origin.

Integrated circuits represent the Japanese steel industry, either to companies mere the the core of the second industrial faced with a readitional economic sectors rates to a level where industry circuit-powered desk top and experiencing since shortly he ordinary steel (in the face of cut overheads or to consumers)

might feel encouraged to embark on a fresh round of

However, there is also a structural paradox at the beart of Japan's current economic of Japan's current economic-predicament which could ex-plain much of what has happened—or not happened— during the the past few months. This is that while one section of Japanese industry seems to be dying on its feet something very like the second industrial revolution is occurring else-where in the economy. where in the economy.

going next and about prospects for sustained growth in the next year to 18 months.

A paradox that is causing come n both to Japan's of high energy costs ushered in by the second oil crisis and are foreign observers is that while industry is riding the creet of a new export boom, recovery of demand inside Japan is taking time to materialise.

No less disturbing is the fact that the healthy growth of industrial production which set in inside to material production which set in growth of a new generation of inst before the middle of 1983 and are so far been unaccompanied where in the economy.

Japan's older basic materials industries have become almost completely unviable in the fact of high energy costs ushered in by the second oil crisis and are now being scaled down to one half or less of their former size, or in some cases being phased out completely. The demise of industries such as aluminium or petro-chemicals has coincided with the explosive factor of the production which set in the factor have become almost completely unviable in the fact industries have become almost completely unviable in the fact of high energy costs ushered in by the second oil crisis and are new export boom, recovery size, or in some cases being phased out completely. The demise of industries such as aluminium or petro-chemicals has coincided with the explosive factor of high energy costs ushered in by the second oil crisis and are new export boom, recovery size, or in some cases being phased out completely unviable in the fact have become almost completely unviable in the fact has so the fact has connected with the explosive factor of high particles have become almost completely unviable in the fact has connected with the completely unviable in the fact has connected with the completely unviable in the fact has connected with the co industries that are knowledge-rather than materials-intensive, and which depend to a minimum extent on imported

> The new generation of to-dustries centres around integrated circuits of which Japan is now the second largest manufacturer after the U.S. But the use which has been made of the electronic chip as a seed of industrial renovation in Japan, contrasts sharply with

## Japanese Industry

A modest recovery from recession brings with it worries about prospects for sustained growth. The paradox is that while exports are booming, recovery of demand inside Japan is taking time to materialise

tegrated circuitry.

Since the advent of chipdriven calculators a range of Japanese industries which could never have come into existence, or at least never flourished without Integrated circuits, has expanded enormously. The its now includes the numerically controlled machine tools which account for half the output of Japan's machine-tool industry, video tape recorders, and the Japanese word processors. Japanese word processors.

pocket calculators and the fore the second world oil shrinking world markets and who have more time on their sector realises that the number shock, but electronics alone competition from new in hands today than in earlier and dustrial countries), bas more hectic phases of Japan's brought Japanese industries to branched into new directions economic development. where they are today. A which includevelopment for the production engineering. of miniature bearings in the 1970s went hand in hand with the cbip revolution to produce "mechatronics" products that combine advanced electronics with equally advanced engineer-

> Outside the field of acrylic-based confection of the companies artificial suede. involved in old Industries such as steel or textiles, have diversified into new areas while making use of traditional skills and knowhow.

which include chemicals and

The once mighty Japanese synthetic textiles industry now also beating a slow retreat in the face of high energy costs, has turned itself into a pioneer in the development of new materials ranging from acrylic-based carbon fibres to artificial studies.

final instance structural change in Japanese economy is appearance of a new generation of service industries, catering

Japan's numerous small service companies have fre-quently been dismissed as insignificant in comparison with ministries heavyweight sectors such as different steel or cars, In 1980, however, combined investment by the service sector amounted to marginally more than the total value of investment in new

CONTINUED ON NEXT PAGE

Japanese economy moving during the past few years while traditional pillars of the economic system have been

dustries, as they have been problems as well. According to the Pinance Ministry which coined the term "softnomics" in a book on the Japanese economy issued early this year, the new trend means, first and foremost, that the government has become seriously short of information about what is happening in the economy.

Service sector companies as well as many of the small hightechnology companies, as the major users of robots and numerically - controlled machines, tend to he small enough to avoid the attention of the Japanese tax authorities and they are un-likely to he invited to hecome members of the various in-dustry associations through which Japanese economic

A further problem posed by the growth of the new soft sectors is that of statistical definition. Japan's Industrial generating equipment by the electric power industry and to more than double the investment of either the motor or the economic Indicator is based overwhelmingly on the product steel industries.

The growth of the service dustries. A new industrial production index which makes due collection index which make ance of new electronics in-allowance for soft sectors of dustries has served to keep the the economy is seen as an

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#### Consumers

Editorial production:

Michael Strutt; layout: Phil Hunt

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# Mitsui is bringing people closer together by sending some away.



For the tenth year in a row, Mitsui have given eight selected British students the rare opportunity to get a first-hand look at what makes Japan tick.

Through this unique programme, called the "Mitsui Europe Student Programme," Mitsui are endeavouring to promote greater understanding between Japan and the United

The length of the students' stay is approximately two weeks. During this time, they to visiting the Kahuki Theatre, to sleeping on rush mats called "tatami."

But they also get a practical, hands-on look at Japanese companies. How they work. Management philosophy. And manufacturing techniques.

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The students are from many different backgrounds, and from many different universities. But regardless of where they're from, each student comes away with a deeper understanding of Japan, and with a greater appreciation of the relationship between the two countries.

As one student put it, "My trip to Japan was the experience of a lifetime. I have learnt a great deal about the country and its people, and have enjoyed myself immensely in their midst. I am sure that in my future career, I will be able to draw on the experiences gained during this trip, and use them to promote Anglo-Japanese friendship."

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Imported Mazda cars on a storage lot at Aurora, Illinois. Japan's export successes are still unsettling its trade balance.

## Japan's paradox

CONTINUED FROM PAGE I

their predominence in the over-ell investment league table— require e reletively small reproduce a reletively small reproduc amount of capital to produce a given amount of output. Even the new high-technology industries that are based on gence of a surplus which

A corollary of this trend is that investment in high-technology sectors is likely to have to be recewed more frequently than in the old materiels-intensive industries, but this merely means, says the Ministry, that investment cycles with the server criticism from Jepan's trade partners, but the trend could become worse over the next few years eccording to many forecasts, with the surplus reaching as much as the surplus reaching as much as the finance Ministry, that investment cycles Ministry who have been small be more criticism from Jepan's trade partners, but the trend could become worse over the next few years eccording to have been surplus from Jepan's trade partners, but the trend could become worse over the next few years eccording to have been surplus from Jepan's trade partners, but the trend could become worse over the next few years eccording to many forecasts, with the surplus reaching as much as much as forecasts, with the next few years eccording to many forecasts, with the next few years eccording to many forecasts, with the next few years eccording to many forecasts, with the next few years eccording to many forecasts, with the next few years eccording to many forecasts, with the next few years eccording to many forecasts, with the next few years eccording to many forecasts, with the next few years eccording to have been the next few yea

urgent necessity by the Ministry of Finance and is in fact in the process of preparation.

future to influence economic trends as well as less chance of things getting badly out of

of Finance and is in fact in the process of preparation.

The second point the Finance Ministry bureaucrats seem to want to stress ebout the way Japan's economy is likely to work, in the era of "softnomics" is that private investment and public works spending by the government that the trans is less chance of things getting badly out of spending by the government value that Japen is likely to will play a less prominent role in determining economic to its raw material imports. This is that the country's need case in the pest.

Service Industries—despite their predominence in the overtheir predominence in the overthe growth of the economy and the growth of the growth

dustries that are based on gence of a surplus which integreted circuits tend to cost threatens to pass well beyond less to equip than steel mills and shipyards.

will be more stable than in the amusing themselves during the past.
The broad conclusion that the past year by elaborating theories of softnomics, may Ministry seems to be drawing soon have to tackle a much from its studies of the softnomisation of Japan's ing ways to increase Japan'a economy is that there may be imports of manufactured goods less the government can do in and food products.

## Surplus continues to be embarrassment foreign suppliers to sell to it. Trade

ROSERT COTTREUL

JAPAN IS grappling this year with a problem which many less fevoured countries would be happy to share—a vaulting trade surplus, likely to exceed U.S.\$ 30bn. The imbalance produces friction abroad, and embarrassment at bome.

When, in November, Jepan posted its U.S.\$ 2.02bn trade surplus for October, Prime Minister Mr Yasuhiro Nakasone issued a statement saying:
"It is indispensable for Japan to cootribute to the develop-ment of the world economy by increasing the imports of manu-factured goods from other

Mr Nakasone's comments reflect Japan's recognition that, as the second-largest economy in the non-Communist world, it has a key role to play in maintaining the bealthy world trade on which its own prosperity depends. But Japan's concern is not only about the global trading climate. Its suc-cesses in specific export sectors heve brought ebout equally specific protectionist retaliation

from imports. Earlier this year, France decided that all its imports of video cassette recorders had to be processed through a small provincial customs post. The U.S. is cossetting what remains of its domestic motorcycle manufacturing capacity by imposing high taxes on imports. For most industrial countries, Japan's trade surplus is even

more unfavourable than the bald figure suggests. Virtually all of Japan's exports are manufactured goods. But most of its imports are raw materials, including oil Jepan just does not seem to

want what most foreign manu-facturers have to offer. It is not a matter of tariffs: Japan's tariffs on manufactured goods are, oo everage, lower than those of most industrialised The extent and strength of

"non-tariff barriers"—require-meets and procedures which are difficult for foreign manufac-turers to fulfill—are a metter of dispute, but are declining. The Japanese Government produces attractive booklets explaining why the Japanese mar-ket is wide open to exports.

handbook specifically to assist develop a greater enthusiasm foreign suppliers to sell to it. for foreign goods. And com-Japan is now liberalising its way out of the years in which panies may be willing to import more capital goods. But capital goods are falling as a proporit deliberately protected its markets in order to develop a domestic manufecturing capa-city sufficiently large and effition of Japan's imports as the economy outgrows its older, heavier industries. cient to meet local needs and

original policy appears to have succeeded too well. Japanese consumers like than economic. The farm vote Japanese products so much that, is important to Japanese politically in the consumers of the consumers of the consumers. even with the barriers coming down, foreign products have a hard time getting a market foot-

compete internationally. The

In the "sunrise" high tech-nology industries, Japan mey lag bebind the U.S. in research and development, but scores in the market-place by virtue of its mass-production efficiency. In traditional beavy-industry sectors such as steel and shipbuilding, Japan's high produc-tivity makes it best-placed among industrialised nations to compete with the cost-cutting of

#### developing countries.

Japan's strong trading posi-tion has become particularly awkward during the last two years, es the world bas climbed unsteadily out of recession. While Japan's domestic demand bas remained relatively weak, its exports have gone streaking abead, and its import bills bave been held down by e weaker oil price,

with import promotion, almed at expanded, balanced growth of international trade."

The beart of the package com-Some U.S. lobbles beve been prises the following measures for stimulating the domestic to the fore in accusing the Japanese Government of maintaining a "cheap yen" policy to stimulate imports. boosted with a Y1,880bn programme targeted mainly et

Some steady strengthening of the yen is expected over the next year, but most analysis believe the exceptional currency to be the U.S. dollar, kept artificially strong by U.S. Government borrowing to fuel its budget deficit.

A dearer yen could help Jepan's trade balance back into line. The Government's economic planning agency estimates that each 10-yen depreciation egainst the U.S. dollar cuts imports by U.S.\$60m in the first year and U.S.\$2.3bn in the Moving towards a redressal

of Japan's trade balance, even with the explicit encouragement of the Jepanese Government, is likely to be a painstakingly slow business. Companies may be willing to accept the desirability of importing more consumer goods, but are hardly likely to translate that acceptability into Toyota Motor Corp. produces a practice unless consumers, too



efficiency in mass-production makes it difficult for foreign products to gain a foot-hold. Here sewing machines are being finished at the Brothers factory

To assist imports, the Government also made these proposals:

Some tariffs to be reduced, including those on scents, electronic cash registers, jute.

 Standards and certification procedures to be made clearer. Export-Import Bank of Japan. to offer cheap loans to finance imports.

• The Government to strengthen efforts to eliminate discrimination in its procurement policies, and to urge the same attitude on local government

 Private sector investment in energy-related plant and equip-ment to be encouraged, assisted by a higher lending ceiling from the Development Bank of Distribution systems for imported goods — particularly tobacco—to be improved; import promotional missions to be despatched to foreign countries.
As part of the October 21 package, Japan also promised a liberalisation of aspects of its Y620bn buying and renovating

ward "foreign exchange dealing in Tokyo and examine prospects for establishing a market in yen-denominated bankers' acceptances to facilitate trade.

 Review procedures for foreign enterprises investing in Japanese shares and real estate: and promote foreign entry to banking, securities and insur- Promote industrial co-opera tion with other countries, and financial co-operation with supra - national bodies such

Cheaper loans to small firms from government credit institntions.

To assist imports, the Government also made these proposals:

Some tariffs to be reduced, institute these proposals:

Review restrictions on foreign markets and guarantee ing bonds in the U.S. market.

Review restrictions on foreign theme was the yen/dollar exchange rate. Mr Reagan; for his part said America would try to keep public spending down—an inthe Government credit institutes.

Review restrictions on foreign markets and guarantee ing bonds in the U.S. market.

Review restrictions on foreign markets and guarantee ing bonds in the U.S. market.

Review restrictions on foreign markets and guarantee ing bonds in the U.S. market.

Review restrictions on foreign markets and guarantee ing bonds in the U.S. market. should belp moderate dollar a strength.

dollar's strength.

Issues such as the yen/dollar exchange rate are quantifiable and analysable. More difficult is the vast gulf of non-communication between Japanese officials, who believe that their markets are effectively communications. markets are effectively open: and overseas manufacturers, who believe that Japan's markets are effectively shut by procedural or attitudual bar-

There is probably some truth as the International Monetary in the contention that foreign Fund. some of these points were taken e justifiably fatalistic developed further in e November meeting between Mr Nakasone and during the visit of U.S. President Ronald Reagan, official attitudes have become.

## Levels held down by sluggish demand and high interest rates

Investment JUREK MARTIN

present a maximum that can be

taken under the severe fiscal constraints we face at present."
Mr Sosuke Uno, Minister of
International Trade and Industry, said that the "most impor-

tant priorities that Japan should place on economic poli-

cies are economic stimulation through the expansion of domes-

tic demand and further opening of the Japanese market, ccupled

Public capital spending to be

Direct taxes to be cut by Y1,000bn in the next fiscal year,

Improved provisions for

urban redevelopment and bous-

Power supply industry to be encouraged to spend an extra

disaster relief.

ing production.

IT IS SOMETIMES said of the Japanese that they are poor at anticipating problems but un-surpassed et overcoming them once they become manifest. Evidence supporting the cliché edaptation to the first oil crisis, for which the country was totally unprepared, and the orderly nationalisation of sudunprofitable industries such as aluminium and, more

recently, petrochemicals. from a macro economic level, it is evident that the current principal, even if relative, weakness in the national economy lies in slug-gish domestic demand. Hand in glove with this, capital investment, the driving force of the economy during its greet expansion from 1955-73, and still a positive factor in the more reduced years since then, bas become more of a neutral

#### Deterrent

There have been specific recent factors bolding down the gross levels of capital investment—high real interest rates, a genuine deterrent to small and medium-sized companies, the running down of excess inventories, a process now largely completed, and lower corporate profits.

With the government's fiscal

hands tied by soaring budgetary deficits and domestic monetary policy constrained by the need to protect the yen against high American interest rates, the private sector has received little, if any, official help to get its investment ball rolling again.

What is interesting on this occasion, however, is that the sluggishness of investment does not appear to be a cause of much more than ritualistic concern in Jepan. The main reason for this can be ascribed to a general appreciation in both government and industry that investment patterns have cheoged end will continue to change further as the economy ltself evolves from an industrial powerbouse to a more diversiied mechine geared to the production of technological goods and services.

Put more simply, a steel mill, which, even in Japan, might be expected to have a useful life span of a generation or more has different investment requirements and discipline thao a much smaller icss energy-lotensive facility turning out integrated circuits. Such e plant, the Industrial Bank of Japan observed in a report

earlier this year, already has a lifespan down to four years or less, and, in some instances, is probably no longer than two

In the first quarter of the present fiscal year, which began in April, total investment in the services sector was running at an annual rate very close to that of the four main indus cars, and electric power) com-bined—and in the case of steel, chemicals and electric power major investment cycles were still running their course. At the same time the overall

flatness in gross investment masks considerable sectoral variation, as the Organisation for Economic Co-operation and Development pointed out in its letest survey on Japan. Produc tive capacity in the older manufacturing industries rose by just 2.2 per cent in 1982, having risen by exactly twice as much in the year before; in the machinery sector, with Its high component of technological innovation, the respective advances were 5.1 per cent in 1982 and 9.2 per cent in 1981. Another measurement employment levels, also demon

strates the expansion of both the electrical machinery and services sectors. Although total employment in the Jepanese economy rose by 1 per cent, these two sectors recorded advances of 4.1 and 3.4 per cent respectively in 1982; no other individual sector registered en increase of as much as 2 per cent, while overall employment in the secondary sector (mining manufacturing and construc-tion) actually fell last year for the first time since 1975. It is obviously much more difficult for the Japanese govern-

ment, for all its ecknowledged expertise, to direct closely the investment in and development of, a more diversified service-oriented economy than one dominated by a handful of major industries. However, in contrast with the presumption of the first sentence of this article, it is evident that the government intends at the very least to keep abreast of the changing economic patterns.

Thus, earlier this year, the Economic Planning Agency produced its comprehensive " Japan in the Year 2000" study, which vlewed with equanimity the continuing growth of the services and high-technology machinery sectors, annual growth rates between now and the end of the century are put at over six and four per cent respectively.

In a separate report, its annual review for fiscal 1983, the EPA states flatly that it believes that a service intensive economy does not lead to lower productivity or stagflation, but rather acts as a stabilising force in the economy. It even notes,

Real gross domestic product at 1975 price (%) 1980 (in trillion yea, %) 1970 1980 Primary industry ...... (3.7) 82.1 (42.3) Secondary industry (39.7)(34.7) 10.7 Chemicals Primary metals (3.0) 13.2 (3.7) 33.7 (17.4) 15.8 (8.1) 14.7 (11.3) 11.6 (9.9) 10.7 Tertiary industry ...... 104.8 (54.0) 3.8 5.2 3.8 (54.3) 2.6 Electricity, gas, water (2.0) (2.2)estate ..... 27.7 55.0 (14.3) (13.5) (11.6)Transportation. nunication ... 11.3 (5.8) 62.0 Services, etc. .. (100.0) (100.0) (100.0) Statistical errors Statistical errors ....... 1.9 -5.3 Gross domestic product 117.8 188.8 430.0

Outlook for the Industrial Structure

bluntly, that since services do not require inventories, investment is more likely to be tailored to real demand and not tied up in unsold stocks. In any case the EPA states it expects the expanding services sector to have a high techno-logical, knowledge - intensive input and thus be more likely to enhance productivity than

Chain growth rate ......

Source: OECD.

#### Uncertainty

There is probably more room for debate, and uncertainty, in the evolution of the electronics and electrical machinery sectors, largely because of the intense competition that elreedy exists and the extraordinary rapid pace of technological innovation. The Industrial Bank of Japan, for example, has calculeted that, in the integrated circuits field, the scale of investment in research and develop-ment and plant and equipment now eccounts for more than 30 per cent of total sales.

"In the years ahead," the IBJ soberly advises, "it will be imperetive for corporations to reinforce their financial stra-tegy, for the relative strength of these corporations' investment capability will determine their growth potential."

Many of the smaller Japanes

companies in the vanguard in the high technology and "life science" fields are notoriously undercapitalised and thus vulnerable to either economic circumstanc rates, for example) or market ing mistakes or defects which can eliminate suvesiment capital very quickly. This explains, of course, the surge in foreign venture capital entering Japan. But the sense of risk is quite bigh end it does not take much strength of the imagination to foresee a debacle in some area of Japanese high technology comparable to that which has afflicted the U.S. personal computer market in the wake of the flexing of the marketing muscle of International Busi111

 $M_{2,1,2}$ 

Pagget.

i ......

ness Machines.

However, the post-war Japanese economic miracle bas been characterised, above all, by the willingness to invest. Even in the reduced economic circumstances of the ten years since the first oil shock. Japanese private (non-residen-tial) capital investment in plant eod equipment has remained comfortably above 15 per cent of gross national product.

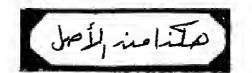
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#### THE NIKKO PERSPECTIVE

# ON HOW The Japanese Financial System is Changing

Michiya Matsukawa, former Vice-Minister of Finance for International Affairs and present Chairman of the Institute, The Nikko Research Center, Ltd., provides a perspective on changes taking place in Japan's financial system.

RECENTLY there has been criticism from both within Japan and abroad that the Japanese financial system has not adapted to suit the current social and economic environment. What is your personal viewpoint?

Matsukawa: My own analysis of the situation starts from the pace of economic change in Japan. Overall economic development has heen extremely rapid in the period since the end of the Pacific War, implying that most sectors of the economy have responded reasonably well to economic growth and the changing international environment. Unfortunately, the financial services industry has been one of the slowest.

There are several reasons why the financial structure has fossilized and become datedreasons that have close parallels in other industrialized nations. The first has been an overwhelming concern by investors with safety of principal with little regard for reasonable returns. This encourages perpetuation of the status quo and the mefficiencies that go with it. A second reason has been the separation of the banking and -securities businesses as modeled on the Glass-Steagall Act in the United States. This has perpetuated an artificial segmentation of the financial services industry. Those arguing to maintain the exising financial structure start from the basic tenet that the small must be protected, both the small savers and the small institutions that have traditionally served them.

But reality is making this policy increasingly untenable. Just looking briefly at the historical process, there have been several interesting trends. Before the war the postal savings system was there to serve those with small deposits and to ensure that they had liquidity. The rich, though small in number, speculated in the futures of silk and beans. Later on, these same investors moved into the stock market. Thus we saw the beginning of a healthy financial system that offered various combinations of risk and return.

The war turned back the evolutionary clock to a point where the predominant concern was security of principal and liquidity. But economic development accelerated, and the level of personal financial assets has grown to the point where, on a per capita basis, it is among the highest in the world. In the process, demand for liquidity declined, and the sensitivity of investors to yields rose. This trend has been very apparent since the late 1960s.

so why hasn't the financial system responded to this trend? And are there any factors that are forcing it to respond?

Matsukawa: It has responded, but at a very slow pace. Ar each srep of the way the grandfather clauses—whether implicit in the conventions of the financial system or explicit in legislation—have forestalled changes and perperuated such aspects of the financial system as the structure of the banking system and the mechanism for determining interest rates. And the spectre of

past failures of financial institutions is all too fresh in the minds of many and all too conveniently used to argue against reform, since drastic changes could imply potentially disruptive forces.

But right now the pressures for change are strong. I have already mentioned the growing volume of household financial assets and their search for higher yields. At present these assets total ¥430 trillion. A related pressure has heen the sizahle volume of national government bonds outstanding—currently ¥100 trillion—and their weakness in the secondary market. A third important trend has heen the internationalization of funds flows since the 1950s. This particular trend is forcing Japan to discard its unique system of accounting and other financial conventions.

ONE LINE of argument states that the monetary authorities are the brake that has slowed down changes in the financial system. With your experience in both the public and private sectors, what is your analysis of this argument?

Matsukawa: It is easy to place the blame on government, but I don't think it is appropriate in this case. There are no legal barriers to the type of changes for which I and many others are calling. The harriers are the strictures of past convention, whether it is the determination of interest rates, the composition of the syndicate for underwriting government bonds, access to membership in the stock exchange, the ability to acquire other financial institutions or the opportunity to move into the trust business.

Just to comment further on a couple of these issues, take the call for interest rate liberalization. The only legal restriction is the upper rate that can be offered on deposits; yet monetary authorities find themselves in a position of having to mediate among various types of financial institutions with conflicting interests in order to keep an eye on the health of the whole financial system and, at the same time, to encourage change. Thus the possibility of absurd situations, such as when the yields on government bonds have been higher than those on corporate bonds.

Another area is the trust business, which has heen legally separated from banking operations. With pension fund assets growing at roughly 20 percent a year, many financial institutions have been anxious to join the trust hanks and life insurance companies in managing these assets. Recently when a foreign bank sought a license for these activities, there was strong protest from the Japanese commercial banks, since they felt they had been waiting in line for years for the same privilege.

ADMITTEDLY the process of achieving a concensus is long and involved in any country, but what course do you expect this process to take in Japan?

Matsukawa: I think the course of change has been quite transparent. The easiest changes are made in those areas where there are no serious conflicts of interest. A good example is the development of a money market with the hond repurchase agreements, certificates of deposit and other instruments in what I think can be called a relatively short period of time, although I am sure many of my

friends in the international banking community were hoping it would even be shorter. And I am sure we will see progress on such issues as the bidding system on treasury bills and bankers acceptances.

THERE has been serious discussion recently of setting up an offshore market in Tokyo. What is your opinion?

Matsukawa: Basically I am reluctant, but for reasons that differ from those officials in the Bank of Japan who see an environment in which it would be harder to control the money supply or those in the Ministry of Finance who are worried about tax evasion. Very simply I believe that isolating the domestic market from an offshore banking center would further retard the pace of change in the Japanese financial system and even work to fossilize the current structure. It should definitely not he a top priority.

WHAT then are the top priorities in your own agenda for reform of the financial system?

Matsukawa: The top priorities are the liberalization of interest rates—freeing them from the traditional hierarchy of fixed relationships—and the development of new financial products. For a securities firm such as Nikko this means competing in segments traditionally considered the domain of the banks. I would also like to see the trust husiness opened up to more participants. In the banking area I think the banks should be allowed more tax-exempt reserves to reflect the increasing risks that they are incurring in international lending.

FINALLY could you comment on the impact of foreign exchange markets on the management of the domestic financial system?

Matsukawa: The issue of domestic interest rates as it relates to movements of the yen is an extremely complex one. Until two or three years ago, the movements of the yen closely followed changes in economic fundamentals. Then, with the increasing liberalization of capital flows into and out of Japan, interest rate differentials and the resulting arbitrage activities have had a growing impact on exchange rates. But most recently, currency futures markets such as the International Money Market have added a new dimension to the foreign exchange market. Thus, apart from the settlements for goods and services or the transactions of the arbitrageur that involve the flow of funds across national boundaries, purely speculative money games and the expectations of investors are determining short-term directions in foreign exchange markets. It is just like the speculation in such commodities as silk and heans that I mentioned earlier: no one really intends to take delivery.

Needless to say, such a market defics government intervention. In fact, attempts at intervention can have an adverse psychological impact on the market. That is one reason why I have been against the proposed issuance of honds in the United States by the Japanese government. You can't make water flow uphill, and it is just as hard to stem the flow of capital out of a country with high savings.

Therefore I believe that a move in the direction of further liberalization is desirable because it makes foreign exchange trends more predictable and thus exchange rates less volatile.



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## Slow thaw in resistance to foreign takeovers

Acquisitions

ROBERT COTTRELL

TWO MAJOR deals in the last 15 months have quickened overseas hopes that the Japanese corporate community may now be more receptive to acquisitions by foreign

acquisitions by foreign investors.

The deals, involving the British gasmaker BOC International, and the Le drug manufacturer Merck a... Company, break new ground for foreign acquisition in Japan. But at the same time, the painstaking memberships which went taking preparation which went into both deals serves to show fust both centiously a foreign company must still proceed if such transactions are to go smoothly.

smoothly.

In autumn last year, BOC International invested £30m (\$43.5m) in convertible bonds and a European depository receipt issue which, when fully converted, would give it a 42.5 per cent equity stake in Osaka Sanso, Japan's third-largest industrial gasmaker and the market leader in the Kansai regioo. BOC was the first British company to acquire a major stake in a company quoted in the first section of the Tokyo Stock Exchange. While the stake is not a majority, epalysts regard it as giving BOC effective control of Osaka Sanso.

#### Majority stakes

Merck's investment saw the company spend over \$350m on equiring majority stakes in two acquiring majority stakes in two
Japanese drug companies,
Banyu Pbarmaceutical and Toris
Pharmaceutical, Banyu is much
the larger of the two, costing
Merck some \$332m for its 50.02
per cent stake, most of which
was bought in August 1983,
Torii was bought in two
tranches: 30.03 per cent for
\$8m in February 1982, and a \$8m in February 1982, and a further 20.5 per cent for \$8m in February 1982, and a further 20.5 per cent for \$11m in August

The transactions saw Merck become the first foreign company to acquire majority control of a first-section quoted company, and the first to control two Japanese-quoted com-panies. It also put Merck up into the first rank of the Japanese pharmaceutical indus-try, with an estimated 4 to 5 per share of the country's \$10bn annual market Baryu and Toril product ranges—led by an in ics—lagged the tech-nology of industry leaders by several years. But, importantly for Merck, both companies had trained sales forces, and direct access to a wide range of Japanese wholesalers.

With foreign-owned comamies accounting for only about per cent of Japan's sales, the country ought to provide some attractive prospects for wouldbe entrants. There are rare examples of large overseas com-panies holding minority but influential stakes in major Japanese manufacturers—such as General Motors and Chrysler

Motors and Mitsubishi Motors porate strategies. Instead, the years, Merck and Banyu officers

A branch of McDonalds in Tokyo. Joint ventores between foreign investors and J rs are common but the Japanese are rejuctant to sell companies to fereign because of their view that companies are people rather than balance sheets

Some foreign companies have set up successful wholly-owned subsidiaries in Japan. The largest, such as IBM and Nestle, are also among the oldest: both were operating in Japan before the Second World War. More common are joint ven-

tures between foreign investors and Japanese partners—such as those entered into by Xerox and McDonalds However, several joint ventures bave foundered for two main reasons: either the foreign partner was anxious to take full control of the operation once it had been estab-lished—or the Japanese partner found its own overseas expan-sion constrained by the terms of its agreement with its foreign joint-venture partner in Japan.

For foreign investors wanting to ecquire significant or controlling stakes in Japanese quoted companies, a major breakthrough came in 1980 with the abolition of an official 25 the abolition of an official 25 of its industrial gas technology, per cent upper limit on foreign ownership of Japanese companies.

The abolition of an official 25 of its industrial gas technology, including specialist electronics related gases likely to be of particular importance in Japan. panies.
Such a legal move could not

in itself also abolish Japanese reluctance to sell companies to foreigners; or indeed reluctance to treat corporations and shareholdings as assets which might be freely traded for capital state. But it did over the door opportunities can be created.

#### Counterparts

The BOC and Merck deals research lear common which differentiate internationalise. panies had enjoyed successful joint ventures with their Japanese counterparts before taking equity stakes.

mainly through the issuing of Wright says. new bonds and shares, obviating the need for any hithertocontrolling shareholders to sell out. Neither deal was followed by a sweeping-out of disby a sweeping-out of disthe netural base on which shy of a contested takeover:

Merck started to build its the idee of e foreigner trying larger presence in Japan was such a thing would be unthinkby a sweeping-out of disthe joint venture which it had in which the word for "takethe started to build its the idee of e foreigner trying larger presence in Japan was such a thing would be unthinkthe joint venture which it had in which the word for "takenew bonds and shares, obviating the need for any hitherto-controlling shareholders to sell Corporation's stakes in Isuzu credited management or cor- operated with Banyu for 30 over" also means

emphasis was on the extent to which the Jepanese companies would be able to grow further with access to the technology and products of the foreign

Three years before moving into its equity association with Osaka Sanso, BOC international had decided that it wanted a bigger and more direct presence in Japan's industrial gas market. In particular, it saw strong growth potential for specialist industrial gases if foreign tech-nology could be matched to Japanese knowledge of the likely markets in such fields as electronics and steelmaking.

Manufacturing joint ventures with both Osaka Sanso and with the market-leader Nippon Sanso led BOC to conclude that Osaka Sanso would be a more positive counterpart for a closer equity tie. In exchange for a major sharebolding, BOC would offer its new arm access to almost all

Merck, too, preceded its acquisition with several years' germination. Mr Bryan Wright, President of Merck's Japanese subsidiary, says the seeds of the Banyu deal were sown in 1976-77. when Merck took a long-term view of the Japanese market it ment new-product regulations shaking-out smaller companies and the orientation towards leading manufacturers to

worked to acquire a more thorough knowledge of one another's corporate structure. In February 1982, a toe went into the water with Merck's purchase of 4.99 per cent of Banyu's shares, and Banyu's purchese of 0.8 per cent of Merck's.

In March 1983, merchant bankers S. G. Warburg, who had also advised BOC, moved in to advise Merck. "They came to the conclusion," says Mr Wright, "that it was technically possible to do."

#### Speculative

Merck had also bought its 30.03 per cent stake in Torii in February 1982, when that company was strapped for cash. Merck's move on Banyu started Torii's shares rising on speculative hopes, and Merck had to make a rapid decision as to whether It wanted to consolidate Torii or not. It decided to make a rapid spent them. to go ahead, and spent \$11m on buying a further 20.5 per cent of Torii, mostly in newly-issued

Mr Wright suggests several factors which smoothed the way for Merck. Most important was the gradual getting-to-know-you approach. "Any company that tries to move aggressively (in be freely traded for capital when Merck took a long-term Japan)," says Mr Wright, "is going to face trouble." Merck's to opportunities of obvious saw Japan, as e high-technology approach came at a time when mutual benefit: and the experingely educated country, producing in future years innovative pharmaceutical products of the says and merck took a "Japanese" view of the Japanese market. It going to face trouble." Merck's approach came at a time when Japan was emphasising the openness of its economy, and Merck took a "Japanese" view of the Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck's approach came at a time when Merck took a "Japanese market. It going to face trouble." Merck took a "Japanese market. It going to face trouble." Merck took a "Japanese market. It going to face trouble." Merck took a "Japanese market. It going to face trouble." Merck took a "Japanese market. It going to face trouble." Merck took a "Japanese market. It going to face trouble." its own. It saw stricter govern of Banyu, seeing it as a ment new-product regulations corporation of people rather than as a balance sheet to be bought and sold.

If BOC and Merck were oble to make successful equity investments because they had them from the classic "takeover" patterns of London or
over " patterns of London or
over " patterns of London or
own point of view, if it wanted
to offer, the way is far from
to be e truly multi-netional com-New York, Both foreign com-panies had enjoyed successful of their apanese counterparts before aking equity stakes.

Both deals were satisfied transded only 32nd or 33rd, Mr says one analyst. Japanese company through the issuing of the says is far from the way is fa says one analyst. Japanese com panies would themselves fight

LEASING: Robert Cottrell profiles Orient, a company at the heart of the business

## Competition in a growing market

try heve grown up with one another. In 1964, the newly-founded Orient was one of only three leasing companies in the country. Today, membership of the Japanese Lensing Associa-tion approaches the 200 mark, with Orient its largest member. In recent years, Orient's share of Japan's leasing market has hovered around the 10 per cent

For Japan's leasing sector as whole, new contracts (measured by amounts receivable) totalled Y2.396bn (\$1.6bn) in the year to March 1983, up from Y1,933bn a year earlier, and more than double the Y1,057bn seen in 1978-79. Leasing contracts in 1952-83 (measured on a purchase basis) represented 4.86 per cent of private capital investment in Japan that year. Up from 3.57 per cent in 1981-

1982, and 3 per cent in 1980-81. Messured by its proportion of national capital expenditure, Japan's lessing industry is relatively small. Levels of 10 to 15 per cent are seen in the U.S. and some European countries. Mr Kinal Salmamoto, a manag-ing director of Orient Leasing, believes that the value of new leasing contracts could triple in the next five years or so, if Japan's economy as a whole

continues to show real growth. While the market may be growing, so is the competition among smaller companies to win a larger share of it, he says, the ratio is "very low Increased competition is shown —less than 1 per cent." in a variety of ways. Leasing in a variety of ways. Leasing A further advantage of size is ing 29 per cent attributable companies are driving down that Orient maintains a net data processing equipment.

generally a long-term contract. Though Japan's interest rates are stable by world standards, the lessor's financial risk is

companies may be inclined to to different lesse slacken credit standards, particularly for newer, smaller, clients. Banks in Japan tend to make long and detailed analyses before extending loans to new customers. Leasing companies may be supported by the standard of the companies of the companie panies pride hemselves on being able to make quick decisions, based on the profitability in operation of the piece of equipment for which leasing is proposed. Competitive pressure to give a quick "yes" to a new customer may increase a leas-ing company's credit risk. Orient's size and established client-base are important com-

petive edges in such a market. 1973, it was the first Japanese take company to issue Asia-dollar loan. bonds. In 1980, it issued convertible bonds in the London the suitability for leasing of market.

tomers by offering his product together with a tailored financ-ing package. Such a manufac-turer or distributor may well increased.

As more customers seek leasing facilities, so the leasing companies may be inclined to to different lessors in different

#### Tax advantages

The rise of Jepan's leasing industry is notable particularly because it has taken place in a fiscal environment which does not afford in leasing contracts the tax advantages prevailing in many other countries. in many other countries. Government and industry officials cite several reasons for the industry'a nonetheless rapid

growth.
One is the relative speed with which financing can be obtained. Mr Shimamoto says that Orient will say "yes" or "no" to a customer within two or three It can seek out the cheapest will say "yes" or "no" to a possible funds by tapping not customer within two or three just domestic banks, but also weeks, against the two or three international capital markets. In months which a bank might take to epprove or refuse a Another important factor is

Experience and expanding technological advances, may business heve also belped Orient rapidly become obsolete. This establish effective credit-checkestablish effective credit-checking witout sacrificing the ability
to make speedy decisions. Mr
Shimamoto concedes that, in the
beginning, the company had
quite a few doubtful debts. Now, of new leasing contracts in the year ended March 1983, includ-ing 29 per cent attributable to

their own margins to wafer thin work of marketing offices Industriel and problem tool levels, sometimes by offering throughout Japan. This is parcontracts accounted for a comlesses at prices reflecting the ticularly attractive to a manubined 24 per cent — such that

ORIENT LEASING company cost of cheaper short-term facturer or distributor of capital the office and industrial sector and the Japanese leasing indus- funds, even though the lease is goods who wants to ettract cus- together account for over three contracts in 1982-83.

Orient's own leasing activities have apread, over the last decade, far beyond the domestic market. In 1971 it opened its subsidiary, Orient Leasing (Asia), in Hong Kong. It now has other wholly-owned subsidiaries in London and New York, and joint ventures from Peking to Sao Paulo.

Its "big-ticket" contracts include cross-border ship and sir-Orient's own leasing activities clude cross-border ship and sir-clude cross-border ship and sir-craft business, the latter en-couraged by Japanese Govern-ment initiatives in 1978-79 to utilise the country's surplus holdings of U.S. dollars. Orient offers "shogun" (Yen-denomi-nated) and "Samural" (U.S.-dollar denominated) aircraft leases.

. Shogun leases have been particularly popular in recent years among airlines which hed a significant Yen-denominated income stream and were keen to profit from lower yen

rest rates. However, lower CONTINUED ON NEXT PAGE DATASEARCH

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## Sudden change-over from the old cash society

Credit cards

YOKO SHIBATA

A YOUNG JAPANESE man was detained by officials at Heathrow Airport. He was a suspect, not because of his appearance but because he carried a bulging wad of notes totalling \$10,000 with his pass-port. But there was a simple explanation: like most young Japanese he had saved hard for his trip—by working for three years as a walter and had taken the money with him in cash.

Eighty per cent of the money spent abroad by Japanese travellers is taken from Japan this way, with the rest made up in the form of traveller's cheques or credit cards. Japan is still very much a cash-oriented society, which often surprises Western visitors. A traditional reluctance to be in debt, combined with the safety of Japanese society, has made the Japanese shun credit

However, the post-war generation which now comprises more than balf of the Japanese population, buys on credit and the number of Japanese credit cardholders has increased explo-sively—from 18m in 1980 to 48m end of March 1983,

Still only one on four of Japanese consumers is a credit card holder, a far ery from the situation in the U.S. where four

competition for credit card customers among a wide variety "Visa Japan." customers among a wide variety of businesses - credit sales organisations, commercial banks, and retailers, as well as newcomers like regional banks, credit associations, labour credit sociations, the Japan travel

Section of the

Eureau and cosmetic companies. Last year, Nippon Shippan, Japan's largest consumer credit company topped the list for the number of credit cards issued, totalling 5.6m cards, including 2.4m cards under its own name, and 3.2m issued under the

had 5.3m bouse cardbolders.

The commercial banks are boom. However, they bad been barred from engaging in credit card business until the Banking Law was changed in companies.

Among bank-operated credit companies, the JCB (Japan Credit Bureau) is the foremost with the largest number of credit cards issued under its own name, a total of 3.7m cards. The oldest was started in 1960 by Sanwa Bank, then joined by Mitsui, Daiwa, Kyowa and Hokkaido Takushoku Bank.

Bank-operated credit companies have the advantage of access to cheap funds but their activities are regulated by the government. For example, they are not able to issue instalment payment credit cards.

Meanwhile, credit sales companies such as Nippon Shimpan and Marul are vigorously pro-moting their credit cards, with the instalment credit card system as a major weapon. To counter this, commercial banks such as Daiichi Kangyo, Fuji, Talyo Kobe, and Satama set np their own credit company called Union card last February, through a tie-up with Master-Card of the U.S. Both Mitsu-bishi Bank through its "Dia-mond Credit" company, and or five credit cards are held by Tokai Bank through its "Million one person. Thus, from any Card" company also teamed up point of view, Japan's credit with MasterCard. Sumitomo card market is bound to grow. Bank is linked with Visa International, the world's largest credit company, setting up

#### Regulated

Bank-operated credit companies are emphasising the great advantage of International services for Japanese tourists abroad through their links with the international card com-panies such as AmEx, Visa, MasterCard or Diners Club.

At the same time, the international credit card companies such as American Express, Visa

brand name of its affiliated International, or MasterCard shopping power of Japanese Even before the start of the retailers, such as Isetan departance making great efforts to travellers abroad. The Japanese new system, regional banks have ment stores and Datel super-increase credit card business in government allowed domestic received more than 600,000 market. It was followed by an Japan, which they consider to instalment sales company which be one of the most promising nationally in 1978. JCB has now

American Express launched also active in the credit card its AmEx Japanese Gold card from its traveller's cheque barred from engaging in base for people in top credit card business until the income brackets in May Banking Law was changed in 1980. And because of the April last year, and were operating instead through affiliated credit card market in the past two years, the company has decided to tap middle-income spenders by issuing the AmEx Green card. Visa International, the world's largest credit card company, has been operating in Japan through Sumitomo Credit Service, an affiliate of Sumitomo bank. Visa has now decided to revamp its operation in Japan, however, by entering into arrangements with other credit card companies and city banks. It has also set up a branch in Tokyo to promote its soon-to-be introduced "Electron card," which gives cardholders instantanetous authorisation of transactions at the point of sale and

credit company to venture into an international credit card

automated recording of cash

withdrawal at all member finan-

cial institutions throughout the

credit cards to be used intersigned up more than 35,000 businesses in Hong Kong, the Japanese tourists' popular destinations.

This summer JCB made a further inroad into the world card market, so far dominated by the blg four U.S. companies, starting issuing credit cards non-Japanese nationals

with homes by computer net-works for easy and quick financial transactions, where the credit card plays a key role.

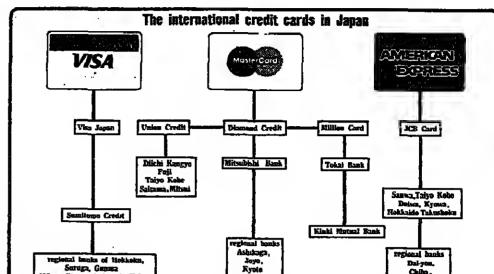
Since October, Japan's 63 regional banks, led by Bank of Yokohama, have provided a cash and credit card service which enables cardholders to de-posit and withdraw cash through an automatic teller machine, and to apply for credit loans and small amounts of cash operation by tapping the vast for purchases at retailers.

expect to have over 3m credit cardholders within three years. This will pose a great threat for Macso, Tsiwan and Hawaii cov-ering more than 70 per cent of credit card companies led by JCB cards, according to a spokesman for the Regional Banks Association.

The Japanese have been slow to get used to credit cards but very quick to adopt to mechanisation or electronic banking. Currently, moves are abroad. In the initial year, it afoot to set up a joint on-line credit card system across the nation to speed the checking of credit-worthiness of holders at sales counters. However, two different computer on-line systems are computer on-line credit card system across the nation to speed the checking of credit-worthiness of holders at sales counters. to confusion among cardholders and retailers.

Last month, Nippon Tele-graph and Telephone Corpora-tion (NTT) launched its "CAT" (Credit Authorisation Terminal) service for Japanese bank-operated credit companies, stealing a march on a similar system called "Credit Authoris-ation Network" (CATNET), developed by IBM Japan.

The CAT service has started credit card market, the Japanese with 148 terminals installed at government bas been working



smaller institutions to use their on-line systems. Agricultural co-operatives and credit associations are joining the bank-operated CAT system from autumn next year.

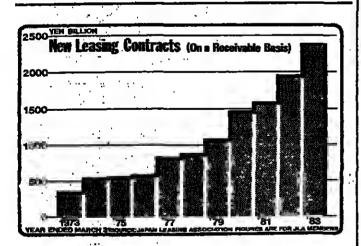
With the rapid growth of the

ele. expanded to 10,000 terminals by Officials of the Ministry of cards to the international 1985. Both camps are comits peting fiercely to recruit try (MITI) are revising the details a size of the ministry of cards. rights for consumers to refuse with electronic payment to credit companies, if Current differences rights for consumers to refuse commodities or services they

hire-purchase laws to allow of magnetic digits, particularly banks to issue instalment pay- in view of the rapid changes ment credit cards and grant towards combining credit cards they are not satisfied with the various cards create great inconvenience for retailers, who have bave bought. to instal as many diffe MITI is also working on the terminals as types of cards.

# JAPAN'S TOP TEN CREDIT CARD COMPANIES\*

and the second second		growth 1981-82	Type of business	retailer:
Nippon Shippon	5.60	15.9	Instalment sales	3.2
Marui		13.3	Retailer	-
JCB	3.67	7.6	Bank-operated credit card	
Union Card	2.68	1.1	Bank-operated	-
Seibu distribution			-	
group	2.64	34.0	Retailer	_
JACKS	2.60	21.9	Instalment sales	1.9
VISA Japan (Sumitomo bank)	2.23	10.0	Bank-operated	_
Diamond Credit	2.00	20.4	Bank-operated	_
Orient	1.90	81.0	Orient Finance instalment sales	0.69
Million Card :	1.75	6.1	Bank-operated	_
		March 198	33.	



## Competition in growing market

CONTINUED FROM PREVIOUS PAGE

recent U.S. dollar interest rates ising, we'll try it, but we won't have made yen-denominated make an absolute commitment. If it doesn't prove profitable, regional leases of aircraft and other equipment.

An important consideration for Criant's agreement has been also been al

In 1979 it established a con-sumer credit subsidiary, and in 1980 began making housing

#### Specialised

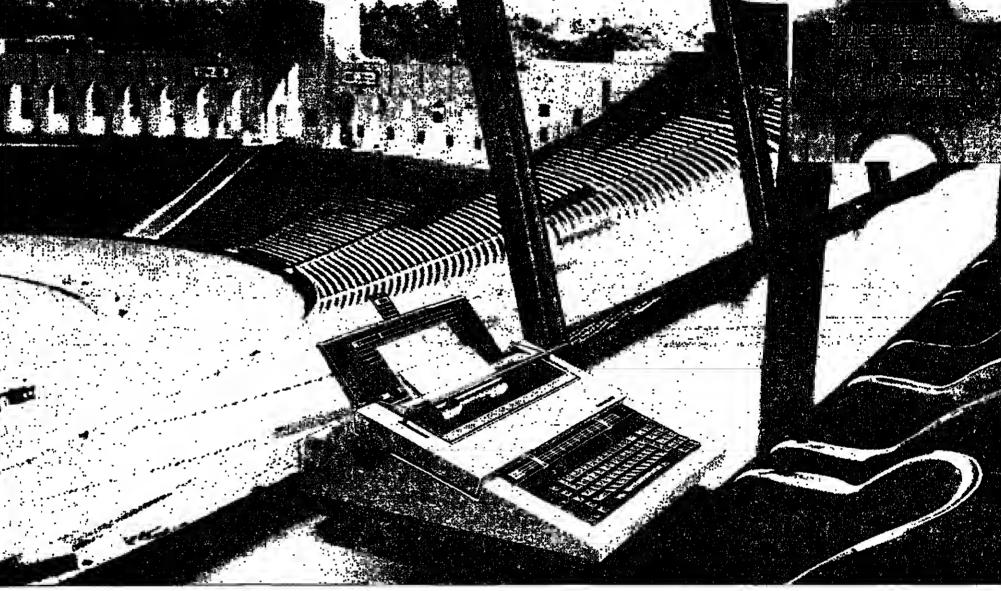
In 1982 Orient established a joint-venture with IBM and Morgan Guaranty International Finance Corporation, to provide specialised leasing services for medium-to-large IBM companies based in their country of operation, rather than the companies as a sonrce of knowledge of their domestic market.

Orient's president, Mr
Yoshihiko Miyauchi, has described his company's expanalon as a fairly pragmatic business. "There's a certain amount of luck involved," he noted in Orient's last published annual report: "If an area looks noonreport "If an area looks prom-

other equipment.

As well as diversifying internationally, Orient has aimed for nationally, Orient has aimed for the presence of suitable joint-the presenc Mr Miyauchi, when "an experienced partner encouraged us to." In its overseas joint-venture leasing companies, Orient has both a local partner and, where possible, a close relationship with local banks as a sonree of local currency funds and of knowledge of their domestic

try of operation, rather than with Japanese companies in-



## Gear-Up For The Olympics With Brother

Being selected to compete in the Olympic Games takes years of hard work and training. The same can be said for being designated by the Los Angeles Olympic Committee as their official typewriter. Through many long years of making typewriters, Brother has gained the experience and reputation for quality

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automatically relocated to the position that you started from. But what really puts our EM series ahead of the competition is its reliability through many years of use. All typewriters wearing the Brother EM symbol are winners of one of the most severe testing courses ever devised for office machines. By producing the "Official Typewriter of the Los Angeles 1984 Olympic Games", the efficiency experts at Brother have again shown their sophistication in high-quality office machines.



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**Electronic Office Typewriters** 

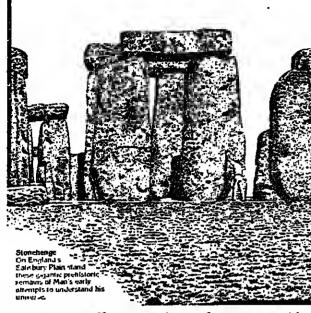
Brother Industries, Ltd. Negoya, Japan

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## Adoption of MSX brings a new era

#### Smail computers

CHARLES SMITH

JAPAN'S personal computer industry entered a new era in the second half of 1983 with the adoption by 16 computer and consumer electronics manu-facturers of the MSX operating standard for very small home use computers.

MSX, which was developed by the U.S. software company Microsoft Corporation, is a system which enables the user to start operating the computer immedi-ately after the insertion of a software package which comes in the size and shape of an audio cassette tupe box and which costs between Y4,000 and Y5,000 (\$17—\$21) per pro-

The MSX machine itself which is now being made in Japan by nine manufacturers can be bought for as little as Y49,000 (\$210) or as much as Y100,000 (\$425) if a number of extras are included.

Massachita Electric, the com-

Matsushita Electric, the company which led the movement among Japanese companies to adopt the MSX standard, expects about 150,000 computers to be produced during the current iscal year (ending in March 1984) and perhaps as many as 700,000 in the 1984-85, fiscal year. If Massushita's forecasts are correct it would seem to follow that roughly balf of the

follow that roughly ball of the very small personal computers made in Japan from spring 1984 onwards will be MSX models.

The MSX standard, which combines a basic operating system together with some common hardware specifications, "arrived" in Japan in summer 1982 when the system was explained to Matsushita by was explained to Matsushita by Microsoft's Japanese agent,

ASCII Corporation. Mr Yuji Oshinomi, an executive in Matsushita's Corporate Planning department concerned with computers, says the system impressed Matsushita by its simplicity and because it promised a sharp reduction in production costs as compared with other small personal com-puters. Matsushita accordingly took the initiative in organising an MSX committee, consisting of other computer and consumer electronics companies which began its sittings in December 1982,

some initial difficulties in the shape of resistance by (whom major manufacturer" Matsushita declines to name). By May 1983 however, general agreement bad been reached on the adoption of the MSX standard by 14 companies, with two more joining during summer.

A crucial factor in the decision to go shead with MSX was a sharp reduction in the amount of royalties originally de-manded by Microsoft and

initial request.

Another decisive point was Microsoft's decision to charge Japanese software companies a nominal fee of only Y5,000 to produce software packages con-forming to the new standard. With the adoption of the MSX system agreed in principle

ASCII from what Matsushita describes as a "very high"

by the middle of 1983, indivi-dual manufacturing members of the group set about the task of commercialising the new standard with traditional Japanese speed and efficiency. Matsusbita, first of the 16 companies to put an MSX computer on the market, began selling its machine at the end of October and is now turning them out st rate of 15,000 units per

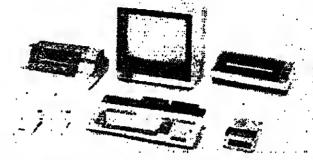
Other companies already in production include Tosbiba (10,000 units per month) and Mitsubishi Electric (5,000 per

#### Share

By the end of 1983 all MSX producers are expected to have either announced or begun to make their machines with the possible exception of NEC. Sharp and Casio—the three companies which held the largest share of the market for small personal computers be-fore MSX made its debut,

The group of 16 companies includes two, Nippon Gakki and Japan Victor Corporation (JVC), which are new to the computer business, although both have wide experience in other fields of advanced electronics. Several other members of the group, including Matsushita itself, traditionally bave been thought of as general purconsumer manufacturers rather than as computer specialists.
According to Matsushlta's Mr

Oshinomi the MSX computer's uses extend from computer of other computer and con-umer electronics companies are already on the market in which began its sittings in Japan) through educational pro-grammes for children to house-teeping uses such as the pre-



Matsushita's CF-200 MSX computer and peripherals. The company has led the movement by Japanese makers to adopt the MSX standard

The MSX can be used to compose music, with the aid of a programme which first asks the user what rhythms and time signatures be wishes to use and software, Mr Oshinomi says. then proposes music for each Matsushita is inclined to bar which the user can either accept or reject.

Programmes for children in-clude an arithmetic programme designed for sixth graders in the Japanese primary school system, an English composition programme for junior high school students and a physics programme for senior high

paration of tax statements and about 1,000 should be available simple business applications of by late 1984. The fact that softthe kind that might be of in-terest to companies with, say, 20 to 50 employees.

The MSX can be used to by late 1894. The fact that sort-ware bouses that have joined the MSX group can sell pro-grammes for use on machines made by 16 different companies instead of for a single machine should prove an enormous incentive to the composition of MSX

> Matsushita is inclined to be vague about the long-term future for MSX but some com-panies are ready to predict that within five years or so about 20 per cent of Japanese households may have acquired MSX com-puters. (This compares with the phrers. (1 his compares with the 12 per cent of homes that so far own video tape recorders and the 50 per cent that have bought audio systems.)

school students.

Matsushita estimates that about 250 MSX programme packages will be on the market by the end of the year and that of progress on the nationwide

MSX computer could find a role as a terminal for the system.

This would mean that MSX a likely starting point, computers might be installed in A final set of questions posed by the amergence of the MSX the same way, and for much the same way, and same way and same way. installed today.

The adoption of the MSX system poses questions about the future in Japan's domestic market for non-MSX personal computers such as the range of models pioneered by NEC Corporation; but for the time being no one seems to have a very clear answer to such

What is being said, in general terms, is that MSX machines probably will take over the lower end of the market for eight-bit personal computers while allowing sales of some of the more expensive eight-bit models that offer functions not included in the MSX tions not included in the MSX system to continue.

survive the MSX revolution is NEC's 6001 which sells for Y84,000 and offers substantially more to the user than the MSX system. Sixteen-bit personal computers, which can now be bought in Japan for as little as

digital information network that has been proposed by Japan's a different sector of the market state telecommunications entity, Mippon Telegraph and Telephone. If the NTT "Information Network Sector 10 MSX.

The 16-bit computer, however,

agg

opputer

Will LIFE

phone. If the NTT "Information Network System" becomes a reality by the late 1980s the candidate for standardisation in Japan, with IBM Japan's newly-introduced 5550 model offening

of the Japanese move on com-puter makers in other countries. Matsushita's Mr Oshinomi says that exports of the MSX will probably start at mid-1984 with manufacturers aiming to build up stocks in time for the Christmas shopping season in the U.S. and Europe.

while Japanese exports get underway, U.S. and European computer and electronics manu-facturers may themselves be considering adoption of the MSX standard. Companies that have shown an interest in MSX outside Japan are said to include General Electric of the U.S., Philips of the Netherlands and a number of other European electronics manufacturers.

If such reports are correct, eight-bit models that offer fuzztions not included in the MSX
system to continue.

A computer which could well
survive the MSX revolution is
survive the MSX revolution is
system seems to be establishing
NEC's 6001 which sells for
Y84,000 and offers substantially
half-inch video tape recorders. MSX and VHS state According to the common feature of having been promoted by Matsushita Electric although neither system was originated

## A proliferation of new media

#### Database services

JUREK MARTIN

THE Ministry of International Trade and Industry (MITI) divides what it classifies as the "information services sector" bank services) there were bank services) there were carrier this year 604 data bases industry in fiscal 1981, the last measurement year—into five 234 covered business and finance covered business are covered business and finance covered business are covered business and finance covered business and finance covered business and finance covered business are covered business and finance covered business and finance covered business are covered business and finance covered

revenues, had been expanding constituted foreign-sourced at an annual rate of 26.1 per data bases and only 122 could cent over the previous five be firmly placed as original years and may well be able to sustain that rate in the years

There is a suspicion that Japan, not unlike many Western nations, may be confronted with something of a dilemma in the proliferation of "new media" services, in that they are coming on stream at a rate faster than the general public, still catching up with technological advances, can absorb.

A midsummer survey by the Prime Minister's Office, for example, found that 60 per cent of the public bad no real appreciation of what "new media" were and that, of all the information currently available in Japan, only 7.2 per cent of it was actually being "consumed."

This percentage may rise rapidly as the nation becomes more "wired" than it is at present. But it is a concern which, so far does not appear to have affected the data base business in Japan for the principal

acedemic world who suffer

acedemic world who suffer from neither a lag in technological sophistication nor from the aimpler problem of only understanding the Japanese language.

According to Mitsubishi Research Institute, like MRI and Nomura Research Institute, like MRI are established in the first instance to meet the in-house needs of their large parent corporations, of which data services were but a part. Only bank services) there were vices were but a part. Only recently have they begun to measurement year—into five categories.

Of these, the second smallest, but the fastest-growing, is what is known as information providing services—in other words data banks. In that year, data banks, in that year, data banks, services available in Japao were generating Y60bn in revenues, had been expanding

#### Japanese systems. **Definition**

This proportion, incidentally, is very much in line with a different survey published in November by the Post and Telecommunications Ministry which using a very broad defiwhich, using a very broad defi-nition of the word, found that "information" flowing into

with major industrial and finantal concerns, seven information processing centres, four newsmore "wired" than it is at present. But it is a concern which, so far does not appear to have affected the data base business in Japan for the principal reason that it bas been geared to providing information not to the public at large but to a market.

This market is the big companies and financial institu
with major industrial and finanspinner in its own right; though be refuses to disclose charges, he does add, coyly that be resulted the system breaks even.

The biggest Japanese security house is not alone in expanding its data base services to a foreign data base, and also of Nihon Keizai Shimbun's facilities, which also draws in the does not alone in expanding its data base services to a foreign data base, and also of Nihon Keizai Shimbun's facilities, which also draws in the does not alone in expanding its data base services to a foreign market.

The biggest Japanese security house is not alone in expanding its data base services to a foreign market.

To date, this has almost foreign market: Daiwa Securities, for example, has also this year gone the same ronte. Indeed, a general assessment of the industry points out clearly rating services and software in that in Japan, as elsewhere,

recently have they begun to market their wares more widely. But even the most ambitious of them, which is certainly Nomura Securities' global information system, carrying the "Capital" brandname, is not seen as a profit centre, according to Mr Yoichi Kamina, deputy yearal manager of the deputy general manager of the firm's overseas division.

Capital (short for computer aided portfolio and total analy-

sis) constitutes a genuinely sive financial mic and business data base, drawing not only on the resour-ces of the Nomura Research Institute, said to be Japan's biggest "think tank" but on such providers of raw data as the IMF, the OECD, plus newspapers and specialised publications around the world. It offers a 24 bour, 365 day-a-year on-line service to subscribing clients.

Japan outnumbered that flowing out by approximately a three-to-one margin.

Operation of data base services in Japan is catholic. The Data Base Services Industry Association, formed only in 1979, had by last spring, 31 members; of these eight were research institutes, most affiliated with major industrial and financial concerns, seven information cal concerns, seven information spinner in its own right; though be refuses to disclose charges,

government and the stitutions and one each the most tempting develop-nic world who suffer represented a commercial bank ments are in the financiallyoperation currently in existence is the one-way desk-top service giving Japanese stock market

Of obvious growth potential are credit rating services. Japan, traditionally a cashoriented society which rewards savers not borrowers with tax breaks, remains relatively back-ward in consumer finance, is changing rapidly. But, in pre-paring for the expansion of consumer credit, necessary data is still lacking.

#### Criteria

According to Sumitomo Bank, ... the existing credit rating data banks have only about 4m names on file (the employed labour force is 57m strong) and have not really established proper criteria for judging the creditworthiness of those they do have. Nor has Japanese law yet addressed such inevitable and important questions as the privacy of credit records, what input goes into them and what access the consumer has to

The Government is to estab-lish a consumer finance research committee next spring to examine all the implications, but some time seems bound to elapse before the necessary framework is established. Once it is, a substantial new sub-sector of the industry will be in a position to take off.

Dotarge

arcuits

DET (CTTALLE

However, some existing marketers of data base services are in the business of turning profits. This is true of both the Maruzen and Klnokuniya opera-

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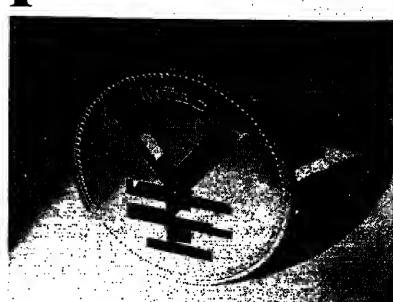
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#### JAPANESE INDUSTRY VII

## Lagging well behind industry in the U.S.

Computer software

CHARLES SMITH

JAPAN may be technically a match for the U.S. as a manumatch for the U.S. as a manufacturer of computer hardware but its software industry still lags far behind. Japanese software "houses" tend to be much smaller than their American equivalents and the supply of comply. capable programmers and systems engineers available to the industry is extremely limited. Another major problem facing Japan's software industry is the lack of any clarity in the laws relating to software copy-

These and other factors add up to what officials at the Ministry of International Trade and Industry describe as a state of "industrial infancy." MITI officials add, however, that they are working hard to strengthen the computer software industry and that adolescence, if not full maturity, may not be too far abead.

According to MITI estimates. independent computer software bouses in Japan sold about Y300bn (\$1.2bn) worth of programs in the fiscal year running from April 1982 to March 1983, or nearly twice as much as they bad sold three years earlier. Software sales tient year could exceed ¥450bn according to the Japan Software Industry Asso-ciation (an organisation which groups only the largest 150 or

so software houses). Sales of computer software by specialised "houses" account for only a small fraction of the total amount of computer program-ming being done in Japan, Programs written by computer manufacturers for their own use are probably worth between x500bn and x600bn per year while the value of software written by computer users is esti-mated to run well into thousands of bildions of yen.

Taken together, the various different types of software pro-duced in Japan are probably worth considerably more than output of computer hard-

The number of companies products but the changeover actively involved in the soft may not be rapid. The extent of ware business is hard to esti- Japan's reliance on imported

clation believes there may be at least 1,000 "houses" in Tokyo and perhaps as many as 2,000

in Japan as a whole.

Big software makers employing 1,000 or more technicians are often affiliates of hardware makers such as Hitachi or NEC, or joint ventures between harding companies. Smaller "man sion type" companies can be family enterprises operating with a minimum amount of capi-

with a minimum amount of capi-tal and equipment.
MITI estimates that the com-bined sales of the 10 largest computer software houses in Japan amounted to Y98on in Japan amounted to reson in 1982 but points out that this represents only 12 per cent of the Y789bn worth of sales registered by the 10 largest software companies in the U.S. Part of the difference in size and strength between Japanese an U.S. software houses i accounted for by the fact that operating systems software is very seldom written by inde-pendent houses in Japan. This contrasts with the situation in the U.S. where big companies such as Microsoft have spec-ialised in the writing of operat-

ing systems.
Another difference between the U.S. and Japanese industries involves the relative importance of "customised" and "package-type" software. Japanese software bouses are mainly involved in turning out programs that have been ordered by users or by computer manufacturers.
U.S. companies on the other hand turn out amounts ready made software.

#### Protection

Readymade or packaged soft-ware is cheaper and quicker to use than the customised variety but normally requires the protection of copyright laws, which are more highly developed and clearer in their application to the computer business in the U.S. than in Japan.

MITI is attempting to promote the development of package software by a planned revision of the copyright system and by improving the distribution channels available for software

packages.
In time this should help the industry to diversify away from mate given the fact that many software packages is high-enterprises have only one or lighted by the fact that early



The software package available as an option with this Toshiba T-200 small business computer provides full counting facilities. The various types of softwa

Sales by computer

Ybn
88.97
174.65
209.07
227.54
300.09
îrom

of the top 10 packages on the

The extreme shortage of skills which is one of the software industry's other major problems is a "natural phenomenon" in a young, fast growing industry, according to MITI. However, the existence of roughly three-to-one imbalance between the supply of computer systems engineers and programs and the demand for such people seems to be creating serious

Fast-growing software makers like ASCH Corporation (a specialist in personal computer programming) admit to being worried about losing some of the computer statement of the c their key personnel and have had to increase wages extremely rapidly to keep staff.

Some small and medium-sized software companies have been hit by "spin-offs" of groups of workers who have left to set up business on their own.

The danger of mass walk outs of this kind, according to an official at the Software Industry Association, is that the "parent" company may become unable ping up a sector of the economy to "maintain" software already which would otherwise be supplied to clients without the unable to stand on its feet. qualified staff who originally Japan's computer software

by organising qualifying examinations in some of the basic skills needed, but officials software houses say that preparation for such examinations is—and should be—something for young people

odo on their own.

At a more basic level, the Ministry is trying to upgrade the fundamental technical competence of the software industry. A research agency operating under MITT's wing is spending Y2.5bn per year on a series of research programmes in which software houses participate. Results of the research are available for commercialisation by the industry. MITI expects to be paid by participating com-panies only if government-funded research eventually enables them to increase their

profits.

A final form of assistance by the Government to computer software houses takes the form of loan guarantees or subsidised loans to companies that have got far enough to have a future (in the view of Government officials) but which may not yet have been able to attract the

This sort of support is normal industries that the Ministry International Trade and Industry regards as strategically important. It is particularly necessary in the software industry given the reluctance of banks to lend money to com-panies that lack tangible assets as securities for bank loans. MITT's assistance for com-

puter software is likely to be maintained until the industry reaches a measure of maturity but official emphasis that the government is in no sense propwrote the programs. industry is a dusty infant that MITI is trying to combat the shows every sign eventually of shortage of highly-qualified wor- growing up to be a formidable

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## Shipments of new chip begin

#### Integrated circuits

ROBERT COTTRELL

JAPAN'S semi-conductor manufacturers stand poised to begin mass production of a new generation of micro-chip techno logy. Sample shipments bave begun of the much-awaited 256K D-ram (256,000 bit dynamic random access memory) integrated circuits, whose world sales are likely to surge into hillions of dollars over the next three to

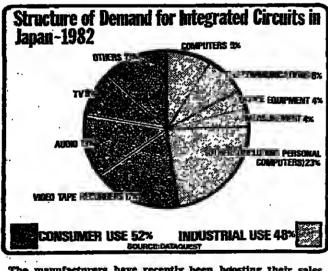
It is not, however, as though

the industry needs a new pro-duct line to stimulate interest by customers. An unprecedented feature of the current year has been a widespread shortage of all types of semi-conductors, not all types of semi-choluctors, not only in Japan but in the U.S. also. By July this year, orders placed with Japanese manufacturers were outstripping production by 1.5 to one, Prices of mass-produced circuity have stopped falling. Spot quantities of hard-to-find circuits, have of hard-to-find circums have been bid up to reportedly astronomical levels in occasional dealer-transactions. The booms in personal computers in the U.S., and demestic electronics goods such as video-cassatte recorders in Japan, have left manufacturers besieged by customaria transactions. tomers pleading to secure

#### Limited

To equip and commission a high-tech electronics manufac-turing plant can take from one to two years, so manufacturers have a limited flexibility of response to recent levels of integrated circuit demand. Most,

always been strong in high-volume memory chip produc-tion. Lately, however, they have also been boosting their sales of non-standard circuitry, with devices adaptable to meet a ing one of the industry's fastest-



The manufacturers have recently been boosting their sales of non-standard circuitry with devices adaptable to a client's particular needs, which in turn reinforces demand.

voked from their U.S. counter-pasts protests of unfair compe-tition, including allegations cent of the world's 64K D-ram parts protests of unfair compe-tition, including allegations that the Japanese Government has supported research cartels among Japanese manufacturers to pinpoint and dominate market sectors. The present strength in worldwide demand for semi-conductors may have helped alleviate some of the so-called "trade friction" between Japan and the U.S.

Both countries have agreed to study a mutual abolition of ductor tariffs next year. It may, however, be the battle for the 256K D-ram market which once more inflames rela-tions between manufacturers on the two sides of the Pacific. ductor markets:

Capital investment as a proportion of sales has been rising across the board, and very sharply in some companies.

Japanese manufacturers have largest sales have already displayed their price per unit of memory capacity in some companies.

Japanese manufacturers have turer, is ready to make 100,000 256K D-ram chips this month. American manufacturers, led

which saw the Japanese many D-ram programmes. Part of the to Y343bn, a rise of 47 per cent facturers stead a decisive march reason. Mr Kimabaran concedes, compared with a 31 per cent growing sectors—a market facturers stead a decisive march reason. Mr Kimabaran concedes, over U.S. rivals. Helped by a scronghold of American manufacturers.

The success of Japanese manufacturers in both domestic manufacturers in both domestic manufacturers in both domestic manufacturers in both domestic way in through a cut-throat very markets has proand export markets has pro- won through a cut-throat year

ing to do battle.

chips in 1982.

In volume and value terms, the world 64K D-ram market in 1981 comprised sales of 10m chips worth \$100m. Volume in 1982 jumped to 100m chips, with falling unit costs cutting value growth to \$550m, according to estimates by the Japanese brokerage house Nomura. Nomizra expects 1983 sales to total 350m chips, worth \$1.4bn, and 1984 to see sales of 600m chips worth \$1.68bn—reflecting a fall in average unit selling price from \$10 in 1981 to \$2.8

At present, unit seiling prices for 256K D-rams would be The 256K D-ram chip will for 256K D-rams would be succeed the 64K D-ram as the around the \$30 to \$40 mark, as mass-production "state of the production volume increases, production volume increases, prices are likely to fall sharply. of Hitachi's semi-conductor and integrated circuits divisioo.

For the time being, Japaoese Fresh in the industry mind manufacturers are holding a the current financial year, probis the advent of the 64K D-Ram, fairly low profile on their 256K ably up from a previous Y233bn reason. Mr Kimabaran concedes, compared with a 31 per cent is a concern to avoid offending forecast rise in sales. The new The broad pattern of demand facilities.

for Japanese semi-conductor products has reflected strong growth in both domestic and export markets. Domestic sales of Mos IC products, which include memory chips, leaped 70 per cent year-on-year in second-quarter 1982, to reach Y123.57m, while linear inte-grated circuits showed a secondquarter year-on-year rise of 28

#### Turnround

Most striking still was the turnround in demand for discrete components, which showed a 20 per cent sales increase in secood-quarter 1983 after four consecutive quarterly declines, according to figures prepared by the Ministry of International Trade and Industry.

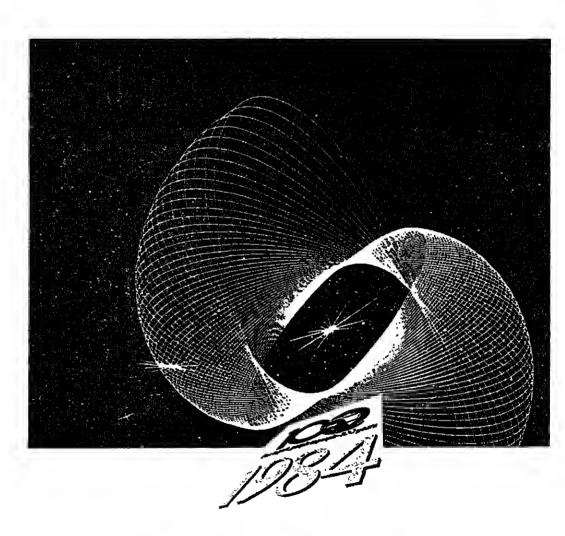
The boost in discrete IC sales

reflects resurgence in demand from audio, VCR and television manufacturers, who together-according to Nomura estimates -account for 52 per cent of demand for discrete ICs, and 73 per cent of demand for linear ICs, VCRs, in particular, are one of the most important deter minants of Japanese semi-cooductor demand: industry analysts say that the duration of current tightness in some types of semi-conductor supply may be prolonged by demand for VCRs related to next year's Olympic Games.

Exports of integrated circuits from Japan bave also forged ahead, led by strong demand from U.S. computer manufacturers and assemblers. Exports to the U.S., which had declined two per cent in 1981, rose by 64 per cent in 1982, by 70 per cent in first-quarter 1983, and by 63 per cent in the second quarter. That expansion is likely to slow in coming months, says Nomura, not so much because of weaker demand but because of limita-

tions on production capacity.

Japanese manufacturers are responding to the need for higher levels of technology and greater production facilities by boosting sharply their new capital investment. Analysts expect the nine leading semi-American manufacturers, led expects a crossover point to conductor companies to show by Western Electric, are preparcome in 1985. much higher semi-conductor related capital expenditure in capital expenditure is expected to be concentrated or semi - conductor manufacturing



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## Digital network linkup by the 1990s

Telecommunications

CHARLES SMITH

JAPAN PROBABLY bas passed stage in its ecocomic development where growth is likely to be fostered significantly by investments in conventional industries such as steel or cars. coming revolution in telecommunications could provide a stimulus to the economy. At the centre of the revolu-

tion, so far as Japan is con-cerned, is the ambinous plan of the state telecommunica-tions entity, Nippon Telegraph and Telephone (NTT), to set up an Information Network System (INS) that will link the entire nation with a single multi-purpose digital communications network by the late

INS is now in the very early stages of being implemented but the plan has already hecome a symbol of the new

is the same as that which bas Japan's impelled a number of telecom- municat munications authorities in other countries to take a fresh look at their systems in the past few years. One major develop-ment has been the appearance of a number of new com-munications systems, such as facsimile, that work better when messages are transmitted digitally than when a traditional analogue telephone line is used. A second important change in

the situation facing NTT and other authorities has been the rapid emergence of fibre optics technology. Optical fibres, which transmit telecommunications signals in the form of light, can carry a far higher volume of digital information than conventional coaxial cables and therefore offer a highly suitable means of communication in an age when facsimile and data transmission between computers is likely to become increasingly common.

authorities like NTT theoretically have the option of stages of being implemented hut the plan has already hecome a symbol of the new information technologies and sticking to their traditional business of information era" in which economic growth will be fuelled more hy high technology industries and services rather than by traditional "hardware."

The background to NTT's enunciation of its INS concept that it must confront the challenge facing it even if this means rebuilding much of

munications system.

One reason why NTT would bave been very unlikely indeed to ignore the opportunities pre-sented by revolution in telethat Japan happens to be arti-cularly well suited to "digital-isation." Digital systems tend to work better-or at least more economically-in situations where heavy loads of information are being carried over short distances, as in Japan, rather than in countries like the U.S. where the tele-communications system has to carry relatively small amounts

sands of miles. Japan's densely-packed urban communities all lying within a few hundred miles of each other present precisely this first type of situation, although NTT officials say that many Eurorecreasingly common.

Telecommunications

thorities like NTT of digital telecommunications

of information over many thou-

The distinctive point about Japan's position vis-a-vis the digital revolution in telecom-munications is that NTT appears to have got itself com-mitted to a pre-digital switching the and time consuming to change.
this About 80 per cent of the switchof ing systems in use within the

are of the conventional crossbar type rather than of the "time division" electronic variety which is needed to get the best out of a digital communications system.

#### Switching

A senior NTT official who was closely involved with some of the groundwork for establishing INS believes that Japan may be about 10 years behind the U.S. in making the change to electronic switching systems. In ordinary circumstances, he adds, the corporation would nced to allow about 15 years for full depreciation of its conventional switching system before starting a full change-over to digital switching systems

Part of NTT's solution to the problem of speeding up the transfer to a digital switching system is to try to ensure that its investment in digitalisation earns the maximum return from the beginning. To this end NTT bopes to persuade the largest possible number of telephone subscribers in Japan to start using the new telecommunications terminals (computers, facsimiles and so on) that will generate a high volume of traffic down digitalised transmission

NTT, however, has no inten- ally depend on economies of tico of making or marketing scale and thus on bow many terminal equipment itself. As with previous stages in the extension and diversification of turn, will relate to the charges Japan's

system, the corporation hopes to mastermind the development of new equipment at its research laboratories on the outskirts of Tokyo and then have it manufactured by the major electronics groups that bave co-operated with NTT in the past.

The development of the "mini-fax" home-use facsimile machine under NTT auspices is one recent example of the way the corporation sponsors new developments in hardware that are likely to create addi-tional demand for the telecommunications network. Many such developments are likely to Many take place over the next few

Although much new equip-ment still has to he designed and developed, NTT officials say that all, or nearly all, of the basic technology needed to establish INS is already available Success of failure of the INS concept, however, may hinge crucially on whether the system makes sense economic-ally. The costs of the communications hardware that telephone subscribers will have to

people want to use the system in principle. This question, in set by NTT in the new bit-based tariff system that will eventually replace conventional telephone charges.

An experimental microcosm of INS in the Tokyo suburb of Mitaka City is already in operarior with about 1,000 companies and 9,000 private homes linked to an optical fibre communications system that transmits data between telephones, computers and facsimiles.

NTT bopes to learn much from the Mitaka experiment about how INS will work on a nationwide basis but it seems likely that, even when the experiment ends, many crucial will remain unquestlans

NTT has yet to reveal how

much it plans to spend on INS over the next two decades but a few rough indicators are available as to the scale of the cor-poration's thinking. Investments that are directly related to INS already absorb several hundred billion yen per year out of the corporation's annual investment The costs of the com-ntions hardware that tele-subscribers will bave to "join" INS which natur-investment could be going



improve the transfer of business information. Above: the foreign exchange dealing room at the Sumitomo Bank, Tokyo.

tha systems. NTT's investments in INS could well dwarf those of any other Japanese public or private corporation by the late 1980s (with the exception of the electric power industry) but they will form only a part of the total amount of money to be spent. The rest will be coming from the innumerable private companies which will manufacture equipment for the

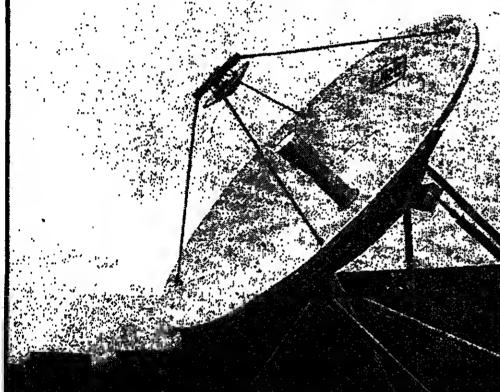
dominant force in Japan's domestic telecommunications

towards the establishment of business once the system is established. NTT executives say they expect rival optical fibre networks to be laid down some time in 1980s or 1990s along the new high-speed rail tracks that Japan National Railways

plans to build.

Competition could also come from the series of independent cable TV (CATV) networks that are expected to be licensed in Japan over the next few years. NTT's only official commall this is that it we A final question about INS competition and that INS should concerns the extent to which be able to thrive alongside, or NTT will actually remain the perhaps even in conjunction perhaps even in conjunction with alternative means of tele-

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Recession has left the big five integrated producers working well below capacity

## Victim of its own investment programme

operation a cornerstone of its

bilateral policy. Thus Japanese

assistance to the second Posco mill will go ahead, with major Japanese manufacturers of

plant and equipment, rather than the steel industry itself, acting as the intermediaries.

But it is generally suspected

that the Japanese steel com-panies will carefully monitor

what technology is made avail-able to the South Koreans and

may even seek to obtain some informal understanding from

Posco on limiting exports to

existing restraints on trade not-withstanding. Japan exports some 34m tonnes of its pro-jected 99m tonnes production

and is not unaware of the

Steel

JUREK MARTIN

JAPAN'S STEEL industry is in what might be described as, if the pun can be excused, an ironic position. No nation has a more efficient, technologically advanced steel industry as Japan, yet few industries have ever been so unexpectedly boist on the petard of investment in new productive technology as four of the five major Japanese integrated steelmakers when the bottom fell out of the market for seamless pipe.

To compound the irony, at the lower end of the market is the fact that the Japanese steel industry—whose inroads into foreign countries is well known —is now starting to complain that in Japan itself its products are having to compete, at a disadvantage, with subsidised steel from the newly—industrialised countries. The philosophy of several of these is based on emulating the Japanese economic miracle.

Further, the domestic steel industry, an international pioneer in making steel a more versatile commodity, is also baving to face up to the domestic challenge of producers of steel substitutes, such new materials as fine ceramics. carbon fibres and titanium.

Rubbing in the ironies are lems of a severe domestic and international recession, from which the signs of recovery are only just beginning to show. Japanese steel mills are still operating at only about 60 per cent of capacity, with more than a third of the country's 65 mills

In their last reporting balf year, ending September 30, the five integrated producers (Nip-pon Steel, Nippon Kokan, Kawasaki Steel, Sumitomo Metal and Kobe Steel) lost a collective Y57bn (\$243m). All but Kobe Steel, which never got into seamless pipe, suffered sales declines of between 11

had to sell off securities to meet dividend payments. Yashuhiro Nakasone, Intent on improving relations with South Korea, bas made economic co-

Yet in sharp contrast to its European and American counterparts, to whom rationalisation and/or protectionism have become the slogans of survival, Japan's steel industry still believes that the way out of the mire lies in as much new technological investment as can be afforded in basic steel and high value-added production, spiced with parallel investment, though mostly for the longer term, in new materials.

Total steel industry capital investment this year will be in the Y1 trillion (\$4.1bn range), a little above last year and not far below the nominal post-recession 1976 mark of nearly Y1.2 trillion. That still accounts for some 10 per cent of all Japanese industrial investment and steel remains exceptional among Japanese industries in the last two years in increasing the levels of capital investment.

It is true that this reflects in good measure what appears to have been a mistaken gamble on seamless pipe, the cycle of investment in which is only now being completed. It will be recalled that in 1981-82 the hurgeoning demand by the International energy industry for seamless pipe was more than masking buge recessioninduced softness in price for steel sheet and plate.

#### Alloys

But the collapse in the price of oil and the slump in inter national energy activity brought the price of seamless pipe down from over \$1,400 a tonne to well under \$500 a tonne in the well tinder \$500 a tome in the space of less than a year. With stocks of pipe still high it is estimated that demand will rise at best to 60 per cent of its

Yet the lesson that the Japa-nese sleel industry appears to have derived from this bitter experience is the need to produce yet more high-quality, high-value sophisticated steel products. Hence the emphasis now on corresion-resistant sheets, very thin sheet, steels for use in extremely cold climates, new alloys—plus the new focus on goal gasification and previously mentioned new materials, as well as improvement in the quality of such staples as rods, bars and wires. The five major integraled producers have a total of 32 signifi-cant development projects under way this year.

The threat from low-cost imports poses a challenge of a different kind, since ft consists primarily of lower grade cheaper steel, principally from South Korea, whose steel indus-try, of course, Japan was instru-mental in developing and, increasingly, from Talwan. Imports currently account for about 5.5 per cent of the domestic market, but the growth rate has been rauld: up a quarter in the first nina months of this year compared with the comparable period of 1982.

Lower labour costs and government subsidies, nius dumping in Japan of steel at less than prices in countries of origin, are, in the coinion of the Japanese steel industry, the major reasons for this expansion (Japan, of course, used to be accused of precisely the same offences by American and European competitors).

Japanese nervousness was more than apparent this year in the extreme reluctance of the Japanese steel industry to transfer, albeit indirectly, technological know-how to the second planned Posco integrated mill in South Korea, due to come into production in

Unfortunately for the industry, the government of Mr

Plant and equipment expenditure by major Japanese Steel Producers

major Dape	major Paparioso Ottor i roduoors				
	(Ybu) 1980	1981	1982	1983*	
Nippon Steel	165	220	300	250	
Kawasaki Steel	65	100.5	136.2	138.7	
Nippon Kokant	46.4	93.1	164	186.4	
Sumitomo Metal Inds	102.1	128.2	180	155	
Kobe Steel†	64.5	71.9	64.8	89.4	
*Company estimates †Ste Source: Nomura Securiti	el divisions es.	only	•		

times as high a proportion as in the U.S. and nearly twice as

Japan as a quid pro quo. There is a natural Japanese reluctance, shared by both government and industry, to be seen at this stage to be raising barriers to trade; after all, existing rectainty or trade not unalloyed

who live in glasshou An alternative is for the domestic industry to meet the the People's Republic of China. imported threat bead on, pro- In fact, soaring Chinese demand steel products.

is for Japanese steel, especially eminently within Japan's for pipe to use in its emerging capacity. After all, more than oil industry, may even take 80 per cent of crude steel is some of the sting out of the continuously cast, nearly three seamless pipe debacle. some of the sting out of the seamless pipe debacle.

Japan will probably sell-close to 6m tonnes of steel to

high as in Britain and France. China this year, at least double But if the Japanese government bas made the industry was itself a third higher than uneasy in its dealings with in 1981. An estimated ten per South Korea, it bas brought the cent of this year's Chinese purchases will be for seamless pleasures by the continued pipe. In all, China now summer in relations with as the largest single foreign the People's Republic of China. country market for Japanese

28tiles

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#### JAPANESE INDUSTRY IX

## Electronics at the centre of research activity

Car design

NOY GARNER

THE SEARCH for improve ments in car design through the introduction of increasingly sophisticated electronics equipment is a trend which can be discerned worldwide. In Japan, however, the switch in emphasis is especially fast-moving and has gained edded impetus as an indirect result of the nation's difficulties in export markets. The introduction of import ceilings in the U.S. and the protectionist sentiments in Euro-pean markets has recently caused Japanese companies to focus their attentions once again on the home market. Tha Japanese car buyer is second to none in terms of what he or she expects in the area of opera-tional efficiency, particularly in fuel economy and overal dura-bility, and also in the installa-tion of the latest in new elec-

tronic gadgetry.
Each of the big Japane makers supports a vast array of different car "models," and it is to high-tech innovation that they now look to satisfy tha demand for constant improve-ments on these familiar basic

The home market is also particularly testing because of the miquely strict design specifications imposed by the Japanese Government, especi-ally concerning exhaust emis-sion and noise polintion. As a result, visitors to the Tokyo Motor Show in November were able to browse over futuristic innovations which included everything from the centralised computer control of engine performance and electronic skid control, to inertial navigation systems and windscreen wipers which are activated

automatically by raindrops.
Other forms of design innovation constitute a significant part of Japanese R&D pro-grammes, notably in the use of new lightweight materials such as ceramics and fibre-reinforced plastics, and in the use of aerodynamically sophisticated styling. It is the applica-tion of advanced-electronics,

however, which lies at the core of research activity.

The introduction of the electronic monitoring and control of engine functions has facilicar efficiency and performance.
With specific applications inclinding electronically controlled fuel injection, cruising speed regulation, engine idling reduction, ignition timing diagnostic functions and exhaust cleaning.

The predictable outcome of such a diverse availability electronic controls has been the introduction of computerised

116

-



Intensive efforts are being made to improve car performance. These students at Musashi Technological Collego are checking a newly-developed diesel engine which runs on liquefied

series, and Toyota is increasingly introducing its TCCS Toyota Computer Control System, both of which control most . of these basic engine func-

As a measure of how rapidly As a measure of how rapidly the electronics revolution is spreading Toyota estimates that the value of electronic automotive components purchased by the Japanese automobile industry in 1985 will be three times that of 1980.

The timing of the "high-tech" movement is also closely linked to the rapid advances which have been made in the Japanese

have been made in the Japanese semi-conductor industry.

Since about 1980, when Japanese mass production techniques succeeded in providing low-priced high quality i/c's, the antomobile industry has become one of the largest buyers of the 18K Ram and 64K Ram chips, purchasing approximately ¥40bn worth of I/c's in 1981, and it is this ready availability of, miniaturised high-performof miniaturised high-perform-ence components which has offered the technical underelectronic innovations

Optical fibres

At the Tokyo Show Nissan introduced its vision of the car of the 1990s, the NX-21. The ceramic gas-turbine introduction of computerised The ceramic gas-turbine central control systems which co-ordinate all of these functions simultaneously. Nissen's Electronic Concentrated Engine substitute for the buildier Control System (ECCS) is al-

ready available in all of its car another important complemenary innovation. Fibre optic wiring offers a greater density and efficiency of signal trans-mission and is expected to improved optical fibre products come on to the market.

The NX-21 also features a magnetic memory card reading system. The card contains a range of information about the drivers preferred settings for the seats and car controls, and these are automatically adjusted once the card, which serves also as an ignition key,

The corresponding super-car The corresponding super-car from Toyota is its FX-1 which, like the NX-21, features a colour CRT display screen upon which the driver can call tip visual information about the operating condition of the engine, and self-diagnosis information about developing

The FX-1 also utilises a voice-recognition system which responds to a limited range of pre-set instructions concerning the operation of the cars lights and windscreen wipers.

previously been made with the use of voice-synthesis chips to instruct the drivert on such matters as the fastening of seat belts and speed adjustment, but motorists have commonly have commonly tended to simply switch these gadgets off once the initial The

becoming drowsy or driving too close to the car in front. It is too early yet, bowever, to know whether these instruction systems will meet eventually with greater public

Mazda's car of the future, the MX-02, attracted a lot of attention with its computer-controlled four-wheel steering system which allows the rear wheels to be moved sideways. for parking manoeuvres, and for more efficient cornering. The MX-02 also features a system which displays essential information on the lower part of the windscreen, allowing the driver to keep his eyes permanently on the road ahead.

Safety features are becoming an increasingly high priority in car design. Electronic sensor devices are now used to monitor the driver's level of altertness in reactions, check the distance being kept between the driver's car and other cars or obstacles ahead, and to give warnings of such dangers as low tyre

Manufacturers also claim that their electronics equipment will increase safety by reducing the driver's workload. Some argue, however, that the dashboard arrays of these future cars, which often take on more of the appearance of an aircraft flight deck, will, on the con-trary, disrupt the driver's

Looking further into the future, Japanese makers express much interest in efficient navigational aid systems. Already Honda has announced an electro gyro-cator unit which uses a sealed helium gas-rate gyro and overlay maps to provide infor-mation on the driver's where-

#### Sensors

Toyota is experimenting with its computerised Navicom sys-tem which can be used to home in on a pre-set destination by use of terrestrial magnetic Nissan has also introduced

a magnetic drive-guide system. Makers are aware that the majority of drivers in Japan spend most of their driving hours crawling at low speed through beavy city traffic. Consequently, the accent on internal comfort is also strong. Recently introduced luxury features include Digital Audio Disc sound systems, seats with inbuilt speakers and vibrators, which allow passengers to "feel" the sound, and increasingly sophisticated air-cooditioning

Electronic wizardry is also becoming important as a measure of status. The increasingly affluent younger genera-tion of Japanese in particular have grown to expect a great deal in terms of new gadgetry when choosing a new car, and as a result makers, through their own actions, have found value has waned, their own actions, have found latest versions offer themselves engaged in a some more worthwhile warnings, times frantic race to telking the driver if be is these raised expectations. times frantic race to satisfy

## ΙX Which full service shipping company started out 98 years ago with 58 ships and today runs over 280? 58 ships 68,198 G/T S.S. Yamashiro Maru Gross Tonnage: 2,528 G/T Length: 91m Breadth: 11 4m

Service Speed: 8 knots 1925 87 ships 524,312 G/T S.S. Hakusan Maru Gross Tonnage: 10,380 G/7 Length: 150.88m Breadth: 18.9m Service Speed: 14 knots

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## Hope for growth by diversifying

Textiles JOHN BURTON

TEXTILE industry frequently has been described as

one of the main engines of growth which pulled Japan into the industrial age. Now Japanese textile companies are looking to high-tech industries, ranging from biotechnology to consumer electronics, to pull consumer electronics, to pull themselves out of trouble.

When the first oil shock struck in 1973, makers of manmade fibres saw their raw material costs skyrocket. That coincided with the spread of manufacturing plants for the three mainstay synthetic fibres.

—polyester, nylon and acrylic fibres—to countries that enfibres— to countries that enjoyed lower labour costs, such as South Kores and Taiwan.

Japanese textile industry, besieged by cheaper imports at a time of market stagnation, experienced a sharp decline in sales and profit growth, a position from which it has not

adjusted to hard times by eggressively pursuing diversification into Industries thet shared some of the same knowhow required for synthetic taglandin.

That activity has clustered around four main areas: biotechnology, medical equipment
and new industrial and electronics materials.

Constered
targest texture maker,
is involving itself in the manufacturing sector of biotechnology by producing enzymes for
research and production.

The textile industry's foray into biotechnology has received the greatest attention because of the market's potential growth.

Toray, Japan's largest synthetic

The production of the related area of medical equipment.

Ashi Chemical, Kuraray, Toray,
Teijin and Toyobo are producing shertly to get approval from the Ministry of Health and Welfare to start production of the for blood separation. anti-cancer drug beta-type in-

licensed manufacturer of the drug in the world and it has already announced plans to begin construction of a plant for the drug next July. However, beta-type interferon will be produced through a mass cell culture process, considered less efficient than gene-splicing (re-combinant DNA), and its market potential may be limited by the fact that it can fight only certain types of cancer.

For that reason, Toray has funded research by Genetech in developing gamma-type interferon, which has greater commercial possibilities because of its versatility and its production through gene-splicing. In return for its financial support, Toray would receive marketing rights for the drug in the Far East. Competing with Toray in the anti-cancer drug field is Teijin, the largest polyester maker in Japan. Teijin already has a fairly prosperous pharmaceuti-cal business based on the manu-

Decline

The result was that the drug subsidiary, Teijin Pharmaapanese textile industry, centicals, which had a result was that the drug subsidiary, Teijin Pharmaapanese textile industry, centicals, which had a result of the subsidiary of the cial year 1982 on sales of Vi5.70m (\$67m) was amal-gamated into the parent com-pany on October 1 to boost its

Unlike other depressed industries in Japan, such as petrochemicals and aluminium, textile manufacturers quickly adjusted to hard times.

Teijin is developing monocional antibodies for fighting cancer with Hybritech in the U.S. and is co-operation with the period of the large times. facturers quickly U.S. and is co-operating with hard times by Biogen on an anti-hemophilia drug as well as with Fujisawa Industries thet Pharmaceutical, its marketing agency for Venilon, on a pros-

Meanwhile Toyobo, Japan's eighth largest textile maker,

research and production.
Textile manufacturers have expanded also into the related Toray, Japan's intest symmetry artificial kidneys, or dialysers, fibre manufacturer, is expected artificial kidneys, or dialysers, such and Asahl Chemical and Kuraray are also making equipment A more mature industry for

duction of new industrial materials, chief among which is polyacrylonitrile (PAN) carbon fibres. Although carbon fibres were developed for use in air-craft components, the first practical market was in sports

goods, for example to strengthen the shafts of golf clubs. The market greatly expanded when the aircraft in-dustry began to find effective ways of using it in the manufacture of its components. Since it is stronger than steel but lighter than aluminium, carbon fibre is replacing metal alloys in the assembly of wing flaps,

Toray has become the world's largest producer of carbon fibres, with more than a 50 per cent share of the world market, and it and Toho Rayon are supplying the material for Boeing 767s, which uses about a ton of carbon fibres each. However, Toray experienced

difficulties in its carbon fibre sector last year with sales in the first half of financial year 1982 falling below the level for the second half of 1981 because of a slump in orders for aircraft. Although Toray considers the setback to be temporary, it is seeking out other markets for carbon fibres such as centrifugal separation equipment for anium enrichment.

Attracted by Toray's past success, other textile companies including Teijin and Nitto Boseki, are entering the carbon fibre field and the same com-panies are also pursuing de-velopment of other new materials such as fine ceramics (Toray, Ashai Chemical), aramid fibres (Teijin, Toray and Asahi Chemical), and optical fibres (Mitsubishi Rayon).

#### Opportunities

The booming demand for consumer electronics has been a godsend to the sagging polyester market. Textile comester market. Textile com-panies are supplying polyester film as a basic material for the manufagure of VCR tapes, with Toray having roughly half of that market. And electronics textile companies is the pro- are also providing other oppor-

plastics to replace ceramics in IC packaging and Asah IC packaging, and Asahi Chemical, Mitsubishi Rayon and Toyobo are producing similar electronic materials. Although the diversified

businesses represent a small share of total sales, averaging about 25-30 per cent in the case of the top ten textile companies, they have been the main source of profits. Asahi Chemical, Toray and Teijin, for example, had the best earnings perform-ance in financial 1982 among synthetic textile makers because of their emphasis on non-textile business. Latecomers to diversification, such as Unitika and Mitsnbishi Rayon, suffered profit losses.

However, textile executives, such as Toray President Yoshikazu Ito, concede there is no guarantee that diversification can rescue the textile in dustry from a dim future. describes the company's inter-feron project, for example, as a "trial balloon" for future activity in the biotechnology

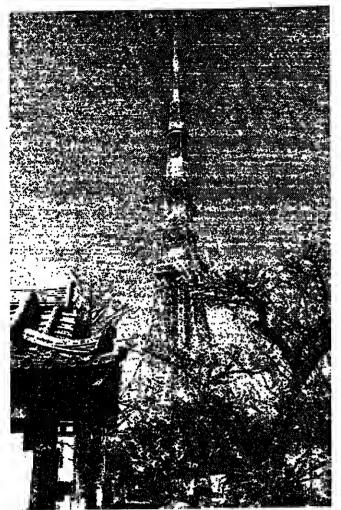
That means the textile in on diversification to solve its is looking to improved automation to make production com petitive once again. Eight major synthetic fibre makers agreed this past summer to jointly fund a Y2.3hn project that would cut the production time for polymerisation, spin

ning, crimpling and winding. The new equipment would replace facilities now at least a decade old and cut energy costs by 50 per cent and labour costs by 40 per cent. But the textile industry must wait another five years before the equipment is commercialised and the huge costs in replacing current facili-ties will reduce profits initially.

The Ministry of International Trade and Industry believes, bowever, that the textile in dustry can make a comeback It notes that the new textile technology will increase price competitiveness at a time when the wage disparity enjoyed by developing countries is narrow-







Tokyo Tower, one of the city's main landmarks. Japan has five commercial TV channels and the first cable station is on the way

## Uncertainty as latest cartel expires

Cement

BARBARA CASASSUS

THE CEMENT industry will have little to celebrate as it enters the New Year. The official cartel set up in August to reverse the drop in domestic prices will expire on December 31, almost certainly without coming anywhere near target, but with no certainty of what

will happen next.

For the five-month duration of the cartel, output has been trimmed by 3.8 per cent and sales in the Japanese market by 2.5 per cent, against the same 2.5 per cent, against the same period of last year, in an effort to drive prices up from about Y13,000 (\$55) a ton for bulk cement to Y15,000 (\$64) or

But despite a compensating fall in energy costs — Japan's coal import prices have fallen 20 to 25 per cent since last year —the target is recognised as too ambitious in view of the extent of the demand slump and analysts now predict Y13,400 will probably be the limit of the

Apart from the decline in cement demand for the key public sector, pressure on prices has been intensified by cutcompetition ready-mixed concrete manufac-turers, which are acknow-ledged to be too numerous and

whose special tax and other independent companies' oppofinancial concessions are due to sition to this idea, for fear they end next March.

Meanwhile, cement makers are operating at an average of 63 per cent of capacity, with some plants completely shut down, and profits have tumbled, cases creating or deepening losses. Rather than seek an exten-

sion of the cartel, the 24-

company industry is preparing a plan to restructure marketing submit to the Ministry of Inter-national Trade and Industry (MITI) for listing under a second basic materials industry depression law enacted in April this year. If it is approved, manufacturers will be etigible for various government sub-sidies, tax benefits and other financial assistance to restore order to their operations and

market. Based on Japan Cement Association forecasts that domestic demand will average 75m tons and exports 10m tons annually over the next five years, makers are discussing a proposal to scrap 25m tons or about 20 per cent of their present total production capacity of 120m tons.

capacity of 120m tons.
Furthermore, they would amalgamate their sales and distribution functions into five groups headed by Mitsuhishi Mining and Cement, Onoda Cement, Nihon Cement, Sumitomo Cement and possibly Ube expected to reach 14m tons, Industries, with effect from up from 11m tons, and should April 1984. But apparently negotions are faltering over smaller as the top world exporter.

would be swallowed by the giants if the industry is restructured along such narrow

According to recent figures, after slipping for four years running, sales in fiscal 1983 (ending on March 31 1984) are projected to rise slightly to 84.670 tons from 84,330 tons in 1982, because of a surge in exports to the Middle East. Although domestic volumes were expected to be down from 72,370 tons to 70,350 tons. the government's economic package announced on October 21 offers some respite to the effects of its austerity spending programme.

An additional Y1.88 trillion was allocated for public works in the second half of fiscal 1983, about half of it to go for repairs after this year's earthquake and heavy rain damage. As Sumitoro, Onoda and Ube are strong in the affected areas, securities analysts tip them for investors hecause they are likely to secure a good share of orders for the extra 2.8m tons of cement needed for the works.

To offset the decline in domestic offtake and keep plants operating, manufacturers have stepped up exports this year, despite a price fall of more than 20 per cent com-pared to 1982. Total volume is

In recent years, the Middle East has overtaken South-east Asia by a two-to-one margin as the main regional market, with Saudi Arabia remaining in front against all post-oil price

cut expectations.
As3 in other materials industries, manufacturers are looking over their shoulders at neighbouring rivals in South Korea and Taiwan.

#### Adversary

In the short-term, there is less concern about competition from South Korea, as it prepares for the Asian Games in 1986 and the Olympic Games in 1988, but Taiwan is proving more of a formidable adversary. It is said to have increased cement output capacity from 18m to 22m tons against dwindling domestic demand and is said to have set up an unauthorised cartel to holster its export effort.

Although its fortunes are not healthy at the moment, the in-dustry derives comfort from what is regarded as its superior

what is regarded as its superior production technology and energy savings resulting from its 99 per cent complete switch from oil to coal, financed in part by Japan Development Bank (JDB) loans.

At today's prices, the savings amount to about 50 per cent on the basis of Btu equivalence and have been enhanced by the apread of dry-process New Suspension Preheater, kiins, which represented 93 per cent of the total at the end of 1982, and calcinator furnaces to im-

Consumer-oriented services have become one of the fastest-growing sectors of Japan's

economy in the past year. Charles Smith interviews two pioneers in this field

On the other hand, the energy bill suffers from the

fact that 20 per cent of the industry's coal purchases have to come from Japanese mines and costs manufacturers \$80 a ton compared to \$50 a ton for

At the same time, blaming inflated requirement projections when deals were negotiated, suppliers complain that not a single ton has been lifted so far this year under certain long-term contracts with the cement industry.

The main exporting country involved is Australia, the only one with sufficient spare mining capacity to meet the new demand in 1979, when much of the conversion from our took the conversion from on took

place.
While the present state of the cement market adds impetus to diversification, makers petus to diversification, makers are trying to break new ground also to increase the value-added element of their operations. One area they are concentrating on is fine ceramics, for which they have a solid foundation with their existing burning and grinding technology and highly-skilled chemists.

However, only one company, tion agent. Mitsubishi Mining, is producing only on a limited scale, although others are gearing up to enter advanced to extricate the commercially so far, and then industry from its immediate the field in some way. At the plight. Meanwhile no one has moment. Mitsubishi is producing four ceramic electronic fell after the last two cartels components; capacitors (the main product), thermistors,

ring varistors and

It opened a second Y1.2bn plant this year, next to its central laboratory at its Yokoze Piant in Saitama Prefecture, and plans to build a third in the next few years. Sales of electro-ceramics are projected at Y1.5bn in fiscal 1983 and Y3bn in 1984, while clinical trials on artificial bones made of hydroxyapatite are about to begin with a target launch date of 1986.

date of 1988.

Cement manufacturers are trying to keep their plans for fine ceramics firmly under wraps, but all the major com-panies and some of the smaller ones are of the research and development stage with elec-tronic parts, engineering ceramics, basic materials or a combination of the three.

combination of the three.

In some cases, they are aiming for the operation to represent 5 to 10 per cent of sales by the early 1990s. Other examples of manufacturers moves into new materials are Onoda's tie-up with Daichi Metco to supply ceramic plasma flame spray, a costing material for sensors, and Nihon Cement's Calmmite non-explosive demoli-

Clearly, those diversification plans are not far enough; advanced to extricate the industry from its immediate plight Meanwhile no one has were dissolved in January 1976



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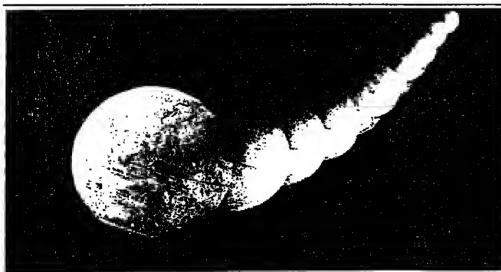
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mised" weather forecasting com-pany, the Japanese affiliate of the U.S. Ocean Routes group, When Ishibashi joined Ocean Routes' Tokyo office 11 years ago it consisted of "two retired master mariners and three cute girls" whose job was to maintain liases that were having shipping lines that were buying the U.S. company's forecasts on Pacific routes, Today Ocean Routes Japan earns 45 per cent of group revenue, and is itself 40 per cent dependent on forests that are sold to individual on-shore clients.

Although localised weather dated weather reports during era before 1973 most Japanese per cent accurate forecasts now constitute the the match itself broadcast over companies sought profits by Ocean Routes

Ocean Routes' first land-based customer was the largest hase-hall stadium in Tokyo which pays \$2,500 per momin for a 36-hour ahead local forecast covering days when it plans to hold a match. Other customers include Tokyo Disneyland and a number of major food companies in Tokyo which specialse in picnic lunch boxes.

Although localised weather forecasts and Ishibashi pany realised in about 1976 that specific forecasts designed for the organisers of public events could be a valuable extension of this business.

The Korakuen Baseball Stational formed the speed at which has transformed the speed at which lighly accurate weather forecasts and Ishibashi pany realised in about 1976 that specific forecasts designed for the organisers of public events could be a valuable extension of this business.

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The Korakuen Baseball Stational forecast causes it to cancel a match because of public events could be a valuable extension of this business.

The Korakuen Baseball Stational forecast causes it to cancel a match because of public events

PROFILE: KATSUYOSHI UKON

## Success route of a handyman

KATSUYOSHI UKON is typical of the go-it-alone entrepreneurs who have been setting np new businesses in Japan's service sector. Mr Ukon, now aged 43, makes Y20m to 30m per year as a professional handyman in the widest sense of the word. Not only that, he has established a network of some 50 handymen around Japan, all of whom originally studied the business at Mr Ukou's homa in a suburb of western

Mr Ukon even has seven overseas "affiliates" — Japanese living abroad who Japanese iving abroad who have set up as odd job specialists working for other Japanese residents in the U.S., Brazil, France and New Zealand. Between them Mr Ukon and his pupils consti-tute a small but significant new "industry" with o growth rate which probably exceeds that of any of Japan's major manofacturing sectors.

Mr Ukon decided to set up as 0 professional handyman in 1977 after watching a TV programme about a man who resigned from a safe job in business and failed to make a go of being a handyman.

Mr Ukor's approach was simple but effective. He printed a handbill listing some two dozen different types of services he was willing to perform (from minor mechanical repairs to advice on filling in tax statements) on hing in tax statements) and delivered it personally to 1,000 or so houses in his neighbourhood. Within six weeks he had picked np Y860,000-worth (\$3,706) of orders from 102 households and from them on the business

never stopped growing. Mr Ukon says that although his business has succeeded far beyond original expecta-tions, the types of jobs he is asked to do in Tokyo have been different from those he expected to get.

Mechanical repairs and advice on legal matters (which his law degree from a major Tokyo university qualifies him to give) are in relatively small demand. What constitutes the bulk of

the business are small-scale "errand" type jobs such as shopping or house-cleaning. Ukon charges Y3,000 (his minimum rate for any job) to plek up one copy of a newspaper for someone who is to busy (or to lazy) to go to the news stand for himself. A trip to the centre of Tokyo to huy two cinema tickets (costing Y2,000 each) will cost the client Y20,000 in professional \* expenses."

Apart from everyday errands Mr Yukou and his colleagues have been given "jobs" staying in empty hotels (to give the impres-sion that the establishments are thriving), standing in as speech-makers at weddings, and eating meals cooked by

#### Antarctic

Two of Mr Ukon's more exotic overseas assignments have included going to Singapore to repair a refrigerator for a Japanese resident who did not want to call up a local repairman and visting the Antartic to bring back a stone for a collector.

The secret of being a handyman, according to Mr Ukon, is to insist on being paid for every service you perform no matter how point-less the service may appear to be or how little effort is required to perform it. Demand reflects the fact that big Japanese cities such as Tokyo now contain large numbers of wealthy and lonely people who are willing to pay seemingly extravagant prices for trivial services.

As to his motives, and those of his colleagues, Mr Ukon points out that he is earning six to 10 times more in his present occupation than he was as a water heater repairer for Tokyo Gas in the mid-1970s. To run your own husl-ness can be extremely locrative, he says, but results are far from guaranteed. On a rough estimate only about 3 per cent of the Japanese men who leave hig companies in their 30s or 40s to start new businesses do become success-

ful entreprenents.

## On top of the weather

PROFILE: HIROYOSHI ISHIBASHI

fastest growing part of its busi. Korakuen's public address sysness, Ocean Routes "went on tem to 50,000 people help baseland" gradually and without hall fans to decide to sit through land gradually and without any advance planning on the part of its management. The process began when shipping clients started asking for dockside weather forecasts and later for forecasts covering areas over which containers were being shipped to the dock. The company realised in about 1976 that specific forecasts designed for

or a manufacturer of room coolers will pay heavily for accurate weather data which will enable it to adjust its inventory or decide when to launch a sales campaign.

Ishibashi says he aims at a 92 per cent rate of accuracy over a 24-hour period in his forecasts for Korakuen and other public events clients but other public events clients but his contracts with such com-panies provide full payment only if the accuracy range is

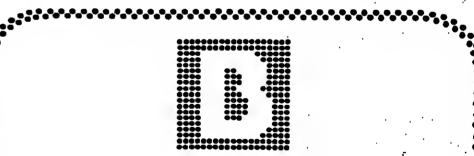
between 80 and 85 per cent. A better than 85 per cent performance earns the company a 10 per cent bonus from the client while a 30 per cent penalty is payable on a forecast that turns out less than 80

based on a mixture of the com-pany's own data and material provided by the Japan Meteoro-logical Agency (JMA) but the company is not allowed to con-tradict anything that JMA says about the weather outlook on a given day. What it can do is to offer more specific customer-related forecasts than JMA is able to do. says Ishibashi, a beer company or a manufacturer of room Ishibashi decided to get into

the weather forecasting busi-ness after a lumber cautier he ness after a lumber cawier he was in charge of while working as an executive of a big Japanese trading company was wrecked in a typhoon in the early 1970s. Ishibashi felt the wreck — in which 15 people died — could have been averted by better forecasting and decided to start doing something about the problem himself. The decision may have been idealistic but it also turned out idealistic but it also turned out to be a lucky one. Whereas Ocean Routes is now a fast-growing and flourishing enterprise, Ataka and Company, Ishibashi's former employer, lost heavily on Canadian oil in-Ocean Routes forecasts are three years after he left.

reizure.

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#### JAPANESE INDUSTRY XI

## Changing tastes bring boom

#### Hotels

BARBARA CASASSUS

THE FOURTH hotel construc-tion boom in 20 years threatens to swamp Japan with an over-supply of rooms, despite new demand from both foreign visitors, until recently the mainstay of the business, and

the Japanese.

The widening of the Westernstyle hotels market, reflecting the changing tastes of the Japanese, has virtually eclipsed traditional inns (ryokan) in the two main cities of Tokyo and Osaka and is expected to have similar impact elsewhere in

the country.

The latest boom is partly in response to the opening of the new Tokyo Disneyland—the first outside the U.S.—last April and in preparation for the Tsukuba Scientific Expo in 1985. The first two booms were trig-gered by the 1964 Tokyo Olym-pics and Expo '70 in Osaka and the third was dubbed the 'boom vithout events." In that case, the target customers were Japanese and the new hotels were medium class with rooms of about 20 sq metres.

However, the present period of expansion involves both rooms fo 35 sq metres, con-sidered the minimum for topsidered the minimum for top-flight botels for foreign visitors, and their smaller counterparts, and is nationwide instead of concentrated in the major

#### 10,000 rooms

Nonetheless, over the next five years an estimated 10,000 rooms will be added to the pre-sent 36,000 in Tokyo and an-other 5,000 will be built in Osaka, where experts regard

Osaka, where experts regard future demand projections as particularly over-optimistic.
Growth in Tokyd, will focus primarily on inner suburbs, such as Shinjuku, Tkebukuro Shibuya. It will be especially rapid in Shinjuku, where Japan's third largest hotel group, Fujita Tourist Enterprises, opens a 1,500-room Washington hotel this month, to be followed by an 800-room Hitton followed by an 800-room Hilton next year and a 500-room extension of the 500-room Sunroute the event virtually the day a

Lining up alongside the present 5,000 rooms, the new openings will make Shinjuku and drink, it does include hire Tokyo's largest hotel district of the brides white wedding and will undoubtedly create stiff competition. The impetus and barber for the bridal couple for development competition.

sq metre plots of land needed to build 1,000-room botels are no longer available in the centre of the capital.

To place the intra-Tokyo competition in perspective, however, the number of Shinjuku-hased large companies (capitalised at Y100m and over) are still outnumbered another ten to one by those in control areas. one by those in central areas, where the established hotels fear no more than a slight erosion of turnover, according to some expects.

There could be a temporary lull in demand while the mar-ket adjusts to the new supply, hut occupancy rates are not ex-pected to remain at under the

In Osaka, the outlook is gloomier as saturation point approaches and occupation rates predicted to slide to about 70 per cent and stay there.

The popularity of Westernstyle hotels among the Japanese is a direct effect of the es a direct effect of the country's more open international view. Since overseas travel was liberalised in 1969 the number of Japanese going abroad has soared from some 700,000 to more than 4m a year. In the process, they have become accustomed to the privacy, comfort and relative safety provided in the West safety provided in the West-traditional ryokan are built of wood and are therefore high fire risks.

Although room occupancy rates in Shinfuku rise to 95 per cent on Saturdays from 75 per cent on weekdays, in an apparent quirk to cafer to the eculariarly Japanese propen-ity for "love botels," demand from the indigenous population hinges largely on other services. For hotels in the U.S., rooms account for 60 per cent of sales and other facilities 40 per cent, whereas in Japan, the comparable figures are 30 per cent and

This 70 per cent is composed mainly of official functions and highly incrative wedding receptions. Perhaps only the more affluent can afford the Y4m to Y5m charged by one top Tokyo hotel for a wedding reception with 100 guests, but a lavish party to celebrate marriage is indispensable to all Japanese and prompts many parents to start a special savings funds for



Japan's capsule hotels, at \$12 a night, are part of the latest l construction boom. A console inside each cubicle controls radio and TV, air conditioning and lights. hotel construction boom.

almost always on the itineraries of foreign visitors, whether they come to Japan for business or as tourists. From under 1m in 1970, overseas visitors are projected to total more than 2m this year. This is due in part to an increase in trans-Pacific flights, the opening of Tokyo Disneyland in nearby Urayasu and further relaxation of neighbouring Asian countries' travel restrictions. Taiwan eased its regulations in 1979, which bad an effect on the 1980 figures, and South Korea lifted some curbs this year. The weakness of the yen has also acted as a stimulus to the flow of foreign visitors recently.

#### Mushrooming

Although the hotel industry is mushrooming, potential for foreign operators appears less than dazzling. Moreover, the five-year new room count excludes any further overseas entrants to the fray. The 20-year management contract beld by Hilton International for the Tokyo Hilton will not be renewed when it expires at the end of this month. Instead, the hotel will be run by its owners, Tokyu Hotel Chain Co., a sub-sidiary of the Tokyu Corpora-tion, and will be renamed tion, and will Capitol Tokyo.

As a general rule, sources suggest that with their years of experience and training in the U.S. and Europe, the Japanese do not need foreign expertise now. Therefore, the chances of foreign groups obtaining management contracts appear slim, unless they are prepared to commit themselves financi-

and will undoubtedly create and someono, hardresser and someono 
are interested in establishing themselves oear Disneyland while Trust House Forte and Hilton Corporation are under stood to be looking at the Tokyo

Altogether, representatives of some six U.S. and two European cently to sound out the poten-tial. One possibility is forming partnerships with life insurance and real estate companies whose moves into the botel busines are motivated by the desire to own buildings, not to diversify into hotel management.

However sanguine some Japanese operators appear about new arrivals, they are planning to step up new services, promotions and other features to ensure they keep regular customers and to lure others away from their competitors. Top-class botels are introducing facilities such as non-profit-making execu-tive lounges, where businessmen are provided with secretarial, translation, data gathering, copying and meeting-room ser

vices and also a one-day turn-round for visiting cards.

Another factor is service liself. The 21-year-old Hotel Okura in central Tokyo, which was voted second best in the world in a financial magazine's poll of bankers, explains its high rating by the standard of its service, achieved by thorough personnel training in Japan and abroad at other botels in the group. botels in the group,

For a homogenous people, Japan's hotel industry is possibly surprisingly catholic. It encompasses not only Western-style and traditional establishally, either through joint ments, but also numbers of capsule or at least loan guarantees. or at least loan guarantees.

Nevertheless, Hilton International, which will manage the cost—and love hotels, where

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Singapore, Sydney, Secud, New York, Los Angeles, Montreal, Bahrain, Hong Kong, Bangkok

## More leisure for pleasure

#### Leisure

JUREK MARTIN

CURRENTLY, the walls of the Tokyo underground are plastered with one particularly cyc-catching poster. If features Japan's best golfer, Tsuneyuki

cent of national income is spent on the pursuit of pleasure. In enjoyment, as well as in so many other aspects of life, the Japanese are perfectly prepared to pay a premium price for quality, all the more so if it can be seen to incorporate the latest in technological

For all the national tendency to "fads" and "booms," this does not mean that the nation is eternally in the grip of the latest piece of technological wire days specured out by wizardry spewed out by Japanese and, in the case of sports, foreign industry. Statistics continue to demonstrate that traditional pastimes

fastest-growing leisure sectors Japan; the number of tennis are those whose hardware and players rose from only 5m in software do not come cheap and 1976 to nearly 14m last year are those whose hardware and software do not come cheap and

popular Japanese pastime ia cipally at women. travel, with trips overseas However, the ge travel, with trips overseas accounting for an increasing share of the business. According to the Leisure Research ing to the Leisure Research Centre, a quasi-governmental institute, in 1982 the cost of

next most expensive activity, hanggliding and sky diving.

The travel boom undoubtedly is a major factor in the growth of the video business, as Japanese manufacturers have

sought to meet growing demand for better, more sophisticated, lightweight video cameras, to

Here, the real growth has

here, the real growth has been in the provision of services rather than bardware. Studios for aerobic dancing, replete again with both personal and filmed instruction, have proliferated in recent years: in the opinion of the Leisure Research Centre, the industry is likely to expand nearly threefold in the years ahead.

Though the Japanese have been manic runners for some time and though companies traditionally bave organised their employees into morning pre-work exercise routine, the expansion in aerobic and jazz which long predated the first metal alloy, let alone the first littgrated circuit, retain a strong appeal. Pursuits such as flower arrangement and Go, the intricate board game, appear to intricate board game, appear to strong appear to generally believed that it was women who initiated and then be as popular as ever.

But it is undenlable that the sustained the tennis boom in which are also ausceptible to technological innovation.

Apart from watching televi-

foreign travel amounted to in excess of Y400,000 per head, almost double the amount spent by those participating in the next most expensive activity, hang-gliding and sky diving.

The travel boom undoubtedly is a major factor in the growth of the video business, as Japanese manufacturers have sought to meet growing demand for better, more sophisticated.

The Japanese propensity to

Japan's best golfer, Tsuneyuki Japan's best golfer, Tsuneyuki Nakajima, at the completion of his picture-perfect swing. In his hands is a Vanguard driver, the most expensive of which, with graphite shaft and head, costs Y90,000, or very nearly \$400.

The advertisement symbolises the nature of the Japanese propensity to do things in groups has provided interesting software end thardware opportunities. The typical executive is likely to spend several evenings a week "entertaining" business contacts, with increasing merriment, in bars, where, by convention, the executive will have his own, marked "keep" hottle of the properties of the Japanese propensity to do things in groups has provided interesting software end thardware opportunities. The typical executive is likely to spend several evenings a week "entertaining" business contacts, with increasing merriment, in bars, where, by convention, the executive will have his own. In the second of the Japanese the nature of the nature of the Japanese the nature of

to each customer.

A standard evening may involve visits to several bars and used to require that be had several bottles available in different establishments. A new wrinkle, however, is the provision of a simple computerised programme, in which participating bars automatically enter whatever alcobol is consumed into the central system and bill the executive. In possession of the right credit card, later, thus alleviating the need to buy extra

Since the average Japanese salaryman also likes to sing in the evening, one of the most marked booms in Japanese entertainment has been the proinferation of "karaoke" machines, powerful tape re-corders playing background music to accompany the executive who wants to sing into the microphone provided.

So popular have these institutions become that the Tokyo city government bas threatened to impose an 11 o'clock curfew on them to reduce the noise nui-sance. Clarion, the leading pion, Takanosato, attributes his Japanese audio manufacturer, is success to weight training

associated with the best foreign brand names, has enabled foreign manufacturers to do sur-prisingly well in the Japanese market in the face of intense domestic competition.

It is estimated that 30 per cent of all skis sold in Japan are imported, as are about 25 per cent of all tennis racquets and golf clubs. Market share is believed to be even higher in such specialised activities as mountain climbing and wind

However, the marketing power of the major Japanese companies manufacturing sport-ing goods (Yonex, Mizuno and Yamaha, for example) is formidahle, as is the increasing quality of their products. Equally noticeable is the diversification bars, where, by convention, the of their products. Equally executive will have his own.

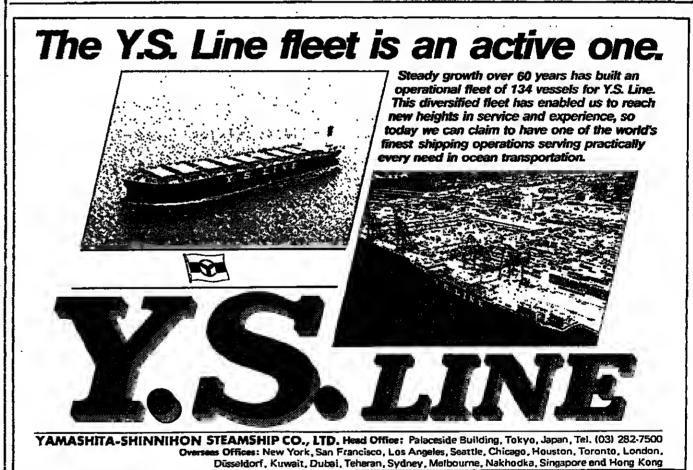
marked "keep" bottle of the major electronics companies into athletics-related pro-

#### Computer tennis

Sony, for example, has not only pioneered a computerised tennis training machine but has successfully adapted its expertise in video equipment to production of an immensely sophisticated programme suitable for training Olympics standard athletes. Mitsubishi Electric's com-puterised golf trainer has also

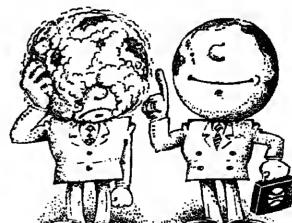
found a substantial market in a nation in which actually getting on a golf course, let alone paying exorbitant green fces, can be difficult chough. It is even the case that modern techniques and equip-ment, such as weight training machines, are colering the tra-ditional world of sumo wrestling. where the acquisition of a vast pot belly through ingesting huge quantities of a high protein stew, plus beer and sake, was once considered the only sure key to success.

son and eating out, the most popular Japanese pastime is travel, with trips overseas to weight training methods, while his great rival, market for what had been the muscular but lightweight assumed to be a unique (260 lbs) Chiyoac (ujii. resembles Japanese institution



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## Compact disc venture boosts flagging sector

Audio CHARLES SMITH

JAPAN'S DEPRESSED audio equipment Industry has re-ceived a small but significant boost this year from a new system of sound-reproduction which owes at least as much to which over at least as mice to pioneering research and development in Western Europe as to the efforts of Japan's own electronics

companies. lands and Sony Corporation, in the spring of 1981 while although Philips claims to have another 13 audio companies done the greater share of the work before the two companies aupported AHD.

By the autumn of 1981, however, Philips and Sony bad managed to line up roughly 30 contractor for CD paragraphics.

Sony worked in parallel from the mid-1970s onwards on the adaptation to sound reproduction of digital encoding techniques used in other areas of advanced electronics and on the supporters for CD, representing supporters for CD, representing supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. The state of the supporters for CD, representing almost the entire Japanese audio equipment industry. of advanced electronics and on the use of laser optics for picking up signals from a re-volving disc. Sony had advanced far enough with its advanced far enough with its researches by February 1978 (including superior reproduction, longer playing time and the committee of Japanese electronics companies to study the tronics companies to study the CD disc itself) It has not the CD disc itself) It has not the companies to study the companies the companies to study the companies to study the companies to st introduction of a new digital recording standard.

A month later, in March 1978, anticipated a year or so ago. Philips announced a digital recording concept using a small players in the current fiscal 4.5 in diameter disc which year (April 1983 to March 1984) immediately caught the imagination of the Japanese manufaction of the Japanese manufacturers. The result of the likely to fall about ten per cent at least for the time being. But Philips announcement was that short of this target, largely Sony says that the cheapest CD

other company, (Sony, for example, took charga of the development of an error-correcting mechanism which was reinforced from the original Philips concept.) By June 1980 the system was

complete in substance and in October 1981 the first prototype of a digital audio player was shown at an audio fair in

While working out details of their CD eystem Sony and Philips also started to "sell" the CD standard to other audio makers—a task which was com-plicated by the existence of two other alternative formats for other alternative formats for digital sound reproduction, one of which was sponsored by the compact disc (CD for short), is the world's first commercially available digital sound reproduction, one of which was sponsored by the powerful Matsusbita group. Support for the Sony-Philips duction system and is claimed to offer far higher fidelity, as well as greater dynamic range, then conventional analogue systems. It was developed jointly by Philips of the Netherlands and Sony Corporation, in the spring of 1981 while

According to Sony, Philips and supporters for CD, representing Sony worked in parallel from almost the entire Japanese

#### Advantages

Sony says that, despite the CD system's obvious advantages over conventional vinyl records (including superior reproduction, longer playing time and the virtual indestructibility of the CD disc itself) It has not caught on in Japan and the outside world at quite the speed anticipated a year or so ago. Production and sales of CD the discs (initially marketed polywers in the surrent fiscal polywers in the surrent fiscal polywers.





(left) and the player itself is compact. Much of the original development work was done by Philips and the two companies managed to persuade nearly all Japan's audio manufacturers to support the new system. Sony believes that compact dise could replace vinyl records as the standard system by the end of the decade.

Sony's compact disc is

only a few inches across

for records, initially reacted besitantly to the technological challenge of producing CD discs (a process more closely resembling the manufacture of integrated circuits than that of stamping or cutting conven-tional records). However, most of the big U.S. companies now seem to have decided to take the plunge, and Sony expects sales and production of records and discs to grow very fast indeed in 1984-1985.

CD could overtake vinyl records to become the standard form of audio disc in advanced countries by about 1989, Sony believes. By the early 1990s hi-fi enthusiasts would be saying goodbye to vinyl disc. and to analogue recording

only by CBs Sony) selling at Y3,300 for at least 40 minutes'

scale are expected to cut the circuits used in the compact disc player once sales start rising fast, but the scale econo-mies may not necessarily be equally available to all makers

The success of the CD system is yet another tribute to the is yet another tribute to the flair of Japanese companies for turning good ideas into saleable products in the shortest possible time. However the fact that much of the original development work on the CD system was done by Philips puts an ironic slant on the story. Philips' Japan Manager, Mr R. Appeldoorn, is convinced the company was right in deciding in the late 1970s to throw in its lot with Sony in the development of a new digital recording ment of a new digital recording system rather than to go it alone in trying to establish a system developed in Europe as a world standard,

This does not mean that Philips expects to have an easy time from now on in competing with the Japanese CD manufacturers. The Compact Disc — like video tape recorders before it—could well become the centre of a battle royal between Inner and "indigenous."

## Aim to be world supplier

**Satellites** 

JOHN BURTON

COMPETITION IS greatly increasing with Japan's nascent satellite building industry, spurred by growing hopes that the country could become a supplier to the international aerospace market in the next decade.

decade.

Japan is slowing approaching the end of what bas been a long development phase for its satellite industry, a period that bas been characterised by beavy dependence on the U.S. for technological assistance.

The National Space Development Agency (NASDA) believes now that the country bas gained sufficient technical prowess for the first satellite to be completely developed and produced in Japan can be lannehed within the next ten years.

In a classic case of the Japanese Covernment taking the leading role in developing a new industry, the Ministry of International Trade and Industry and NASDA apportioned disadvantage plaguing NEC in the compartmentalising development. NEC decided earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation communications at earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation communications at earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation communications at earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation communications at earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation communications at earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation communications at earlier this year to challenge the system by competing against Mitsubishi Electric for the contract to build Japan's third-generation at the proventing against Mitsubishi Electric for the contract to build Japan's third-generation at electrons at ellite, CS-3.

The prime motivation for NEC's move was the fear that it would lag bebind its two competitors if it stuck to manufacturing weather satellites, which are not as profitable as sa

lustry and NASDA apportioned satellite work in the early 1970s among three major electronics companies. Each was expected to acquire specification in a particular field by working to-gether with American aero-

space companies.
Work on communications
satellites went to Mitsubishi
Electric, which selected as its
partner Ford Aerospace and Communications, prime contractor for the Intelsat series. Broadcast satellites were allotted to Toshiba, which cooperates with Ceneral Electric, while meteorological satellites hecame the province of NEC Corporation, which linked with

Hughes Aircraft MITI and NASDA now judge that the industry has developed enough to allow the system to be modified. The Government has asked all three companies to jointly develop the fifth experimental technology satellite (ETS-5) and the nation's first Earth resources satellite (ERS-1), similar to NASA's Landsat series.

Two basic advantages are. being claimed for joint develop-ment. The first is that Japan's bid to achieve self-sufficiency Sory and Philips began working together from the summer U.S.

The details of a new system with individual aspects being undertaken by one or the summer of the world market to about \$700. Economies of the control of the European market.

Toshiba and NEC are jockeying to the companies to the centre of a battle royal hastened by the companies to the centre of a battle royal hastened by the companies to the centre of a battle royal hastened by the companies to the centre of a battle royal hastened by the companies to the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to between Japan and "indigenous" pooling their resources and expects of the space technology would be the centre of a battle royal hastened by the companies to conduct feasibility studies on conduct feasibility at the centre of a battle royal hastened by the companies to conduct feasibility at the centre of a battle royal hastened by the companies to conduct fe in space technology would be hastened by the companies

roughly the same competitive the oligar footing, allowing Japan, and dominating eventually foreign buyers, to industry. choose from among several possible contractors.

For example, by working to-gether on ETS-5, the satellite companies would all become acquainted with technology that would likely to be used on a variety of future Japanese

satellites.

The policy change occurred amid growing dissatisfaction within the industry, especially on the part of NEC, about compartmentalising develop-ment. NEC decided earlier this

disadvantage plaguing NEC was that its role as a newcomer meant that it would have to rely more on American assistance in building CS-3. than Mitsubishl.

#### Goal

while NEC was craiming that two-thirds of its CS-3 would be domestically produced, Mitsu-bishi was saying its version would have 80 per cent local content. As a concession, NEC was given a subcontracting

role on CS-3 by supplying the transponders.

Although rebuffed on one front, NEC is now taking aim at breaking Toshiba's monopoly by challenging it for the contract to build Japan'st third-generato build Japan'st third-genera-tion broadcast satellite, BS3, the equipment to control the For this try, NEC plans to switch from Hughes, which any orbit, such as despin and backed it on CS3, to RCA Cor-apogee kick motors and orbital

While Mitsubishi Electric, come Toshiba and NEC are jockeying power for positions within their pro-

the Hitachi, for example, has

join the club and it is already planning to take its first step into the field by constructing a satellite (ERS-6) programme.

If things turn out as expected by NASDA, ETS-6 will be a major milestone in the Japanese space programme. ETS-6 is the prototype for a satellite that will be launched in the late win be launched in the late 1990s to link together Nippon Telegraph and Telephone'a Information Network System (INS), a digital communications

network that will span the country. But ETS-6 would also constithe Japans declaration of Independence from the U.S. in the satellite field since it would be the first all Japanese satellite, according to NASDA plans. And ETS-6 would thus mark Japan's formal entry into the inter-national satellite market since Japan is now restricted by technical agreements with the U.S. from exporting satellites that contain American technology.

That obstacle would be eli-minated once Japan completely develops and produces a satellite on its own.

The key question, though, is whether Japan will have the technical capability to achieve That runs counter to its goal according to schedule.

NASDA's stated goal of fund. The country's communications ing satellites that have as much satellite programme provides a good yardstick by which to while NEC was claiming that two-thirds of its CS-3 would be domestically produced, Mitsu designed and built by Ford Accordance under contract to Aerospace under contract to Mitsubishi Electric, which provided some assistance. For CS-3, details of which

were announced lest month, Mitsubishi's technical role bas
grown, although Ford is still
providing some of the most vital
components. While Mitsubishi
will supply the satellite housing
and autonna Ford will mand an autonna Ford will mand will rety on satellites ordered from domestic manufacturers as part of a "buy Japanese"
policy.

an independent space

structure control system, solar cell panels and a mercury loa engine. Mitsubishi Electric is working on a galium-arsenic solar battery made it known that it wants to for possible use on CS-3. And Japan is first to use operationally, on CS-2, communications equipment broadcasting over the satelltie test chamber. It is hop high-frequency quasi-millimeter ing that this will be followed by wave band, which will make it participation in the ERS-1 propossible to squeeze communica-ject and the more ambitious tions satellites closer together sixth experimental technology in geostationary orbit without courting interference.

#### Dependence

The industry has been carrying out this activity without worrying about American competition in the domestic market. Aware that Japan is loosening its dependence in the U.S. and that time is running short. Washington has been pressuring Japanese governmen agencies, such as NTT, to buy satellites completely built in

Despite threats by Washington that it may hold up renewal of an agreement pledging the U.S. Covernment to buy Japanese telecommunication equipment, Japan bas refused to budge. The only concession that Tokyo has been willing to make is to allow Japanese private companies to purchase U.S.-made satellites once they are permitted to enter the domestic telecommunications market now a government preserve dominated by NTT. ... .

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This promise is considered largely rbetorical since there are no plans at present by any company to operate satellites.

Japanese government agencies are expected to be the biggest users of telecommunications satellites through the rest of the decade and into the 1990s and It is almost certain that they will rely on satellites ordered

mical information from the U.S. and for this reason is eager to participate in the space station project being proposed by

NASA bas asked both Japanporation. But NEC is expected balance mechanisms.

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by the end of the end of the decade, ese and west European aero spread the costs and NASDA recently awarded contracts to

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The Voltariver had no natural

waterfall at this point, nor the possibility of an artificial one.

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